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Abstract

BRITISH POLICY TOWARDS OCCUPIED AUSTRIA 1945-1950

This study examines British policy towards Austria in the context of post-war international politics. The British position is seen to have been determined by the need to secure a strategic and economic base in Central Europe. In the course of 1945...

The problem of Austria's internal reconstruction is also discussed. Soviet expansionism and heavy economic price demands were seen as a major obstacle to the intention of establishing a western-aligned Austria by 1947. The British position was clarified by discussions over the Austrian Treaty from 1947 onwards. It is argued that the British position was largely based on the need to secure a strategic and economic base in Central Europe. It appeared necessary to establish a western-aligned Austria by 1947...

Ph.D.



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The terms of the Austrian Treaty was not strictly the change in British policy early in 1955, but rather the decline in the influence of Austria of the United States...

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3288

Abstract

This study examines British policy towards Austria in the context of post-war international politics, on the basis of hitherto unused British and Austrian archival material.

By the end of the war the British found themselves in occupation of an area where they had few fundamental strategic or economic interests. Austria's survival depended on the commitment which the United States made in the course of 1946.

The problem of German external assets acted as a motor in this process. Soviet determination to exact a heavy economic price from Austria may not have involved the intention to undermine a western-minded Austria but by 1947 many in the West assumed that it did. The discussions over the Austrian Treaty from 1947 to 1948 failed largely because the Soviet economic enclave which it appeared necessarily to entail, was seen as an unacceptable risk.

The Yugoslav territorial claim to part of southern Austria played an important part in the public debates but was essentially a side-issue.

By 1949 the British and Austrian desire to see a Treaty, even one involving economic concessions to the Russians, began to conflict with the growing American concern with the strategic and domestic repercussions of such an agreement. By the time the Americans had shifted their ground the Soviet Union was no longer interested in a Treaty.

The basis of the State Treaty was not merely the change in Soviet policy early in 1955 but also the decline in the importance to Austria of the United States' commitment.

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ABBREVIATIONS USED

Note on References and Spelling

References to documents in the Public Record Office are to the PRO group and file number, followed in the case of Foreign Office files by the piece number. References to documents of the Austrian Foreign Ministry (until 1957, Bundeskanzleramt, Auswärtige Angelegenheiten) in the Haus- Hof- und Staatsarchiv follow the usage of Professor Gerald Stourzh (Geschichte des Staatsvertrags 1945-1955, (Studienausgabe) Vienna 1985) in giving the piece number followed by the Department (generally Politik) the number and year of the Karton. References to the Austrian Kabinettsrat and Ministerrat in the Allgemeines Verwaltungsarchiv [AVA] are limited to the number and date of the meeting.

Obvious spelling mistakes and misprints in original quotations have been corrected. German quotations have been modified where necessary for the sake of consistency by use of an "Umlaut" rather than a following 'e' and "ss" rather a "scharfes s" [ß]. The alternate usage of "Slovenisch", "Jugoslawisch" has been standardised to the more common usage of "Slowenisch", "Jugoslawisch" etc. Similarly, the English alternate of "Yougoslav" etc. has been replaced by "Yugoslav" etc. Neither this nor the use of German place names for the bilingual areas of Carinthia is intended to reflect a political judgement.

- JIC Joint Intelligence Committee.
- JPS Joint Planning Staff.
- K Karton.
- KFO Konsolidierte Partei Österreichs.
- KRP Kabinettsratsprotokolle (der Provinzialräten Kenners Regierung).
- KUD Ministry of Defence.
- KRP Ministerratsprotokolle (der Regierungsräte 1. Teil II).
- ORC Overseas Reconstruction Committee.
- ÖVP Österreichische Volkspartei.
- PIC Political Intelligence Department.
- Pol Abteil Politik.
- PRO Public Record Office.
- RDR Reparations, Deprivation and Restitution Division.
- SPO Sozialistische Partei Österreichs.
- TWED Trading with the Enemy Department.
- USIA Administration of Soviet Property in Austria (Upravleniya Sovetskoye Imushchestvo v Avstrii).
- Va Abteil Völkerrecht.
- WAC Written Archive Centre (PDC).
- WI-POL Abteil Wirtschaftspolitik.
- WO War Office.

ABBREVIATIONS USED

ACA	Allied Commission for Austria.
ACAO	Armistice Terms and Civil Administration Committee (Official).
ALCO	Allied Council.
APW	Armistice Terms and Post-war Planning Committee.
ATC	Austrian Treaty Commission.
AVA	Allgemeines Verwaltungsarchiv.
BE	British Element.
BMAA	Bundeskanzleramt, Auswärtige Angelegenheiten.
BTA	British Troops Austria.
CFM	Council of Foreign Ministers
COGA	Control Office for Germany and Austria.
COS	Chiefs of Staff.
DBPO	Documents on British Policy Overseas.
DCC	Deputy Commissioner's Conference.
DP	Pierson Dixon Papers.
EAC	European Advisory Commission.
EXCO	Executive Committee (of Allied Commission for Austria).
EIPS	Economic and Industrial Planning Staff.
FO	Foreign Office.
FORD	Foreign Office Research Department.
FRUS	Foreign Relations of the United States.
HAW	Handakten Heinrich Wildner [HHStA, BMAA, Pol-49, Karton 27].
HC	High Commissioner.
HHStA	Haus- Hof- und Staatsarchiv.
JIC	Joint Intelligence Committee.
JPS	Joint Planning Staff.
K	Karton.
KPO	Kommunistische Partei Österreichs.
KRP	Kabinettsratsprotokolle [der Provisorischen Renner Regierung].
MOD	Ministry of Defence.
MRP	Ministerratsprotokolle [der Regierungen Figl I, Figl II].
ORC	Overseas Reconstruction Committee.
ÖVP	Österreichische Volkspartei.
PID	Political Intelligence Department.
Pol	Abteil Politik.
PRO	Public Record Office.
RDR	Reparations, Deliveries and Restitution Division.
SPÖ	Sozialistische Partei Österreichs.
TWED	Trading with the Enemy Department.
USIA	Administration of Soviet Property in Austria (Upravlenye Sovietskovo Imushchestva v Avstrii).
VR	Abteil Völkerrecht.
WAC	Written Archive Centre (BBC).
Wi-Pol	Abteil Wirtschaftspolitik.
WO	War Office.

Introduction

In May 1955 the Second Austrian Republic reversed the dismal epithet applied to its predecessor to become "der Staat den alle wollten." Amid rare signs of Great Power unanimity the State Treaty was finally signed at the Belvedere Palace in Vienna. Shortly afterwards the last occupying soldier left and Austria's parliament declared the country's "perpetual neutrality". Since that day the "spirit of Geneva" has been kept alive in Vienna and a successful Austrian variety of neutrality has been developed. Austria's success internationally has been paralleled by domestic prosperity and social stability. Unlike most Western economies she has apparently succeeded - at least until recently - in avoiding most of the effects of the world recession, achieving high growth and full employment with low inflation.¹

Broadly speaking, western and Austrian historiography of the post-war period may be seen as a series of attempts to fit this success-story into broader interpretations of the nature of the Cold War.² Before 1955 Soviet unwillingness to leave Austria had been taken in the West as an almost archetypal example of Soviet misbehaviour. Western studies written after the signature of the State Treaty have therefore been much exercised with the problem of explaining the Soviet withdrawal, which also contradicted the more general assumption that the Red Army never withdrew willingly

¹For a recent discussion see Peter Katzenstein, Corporatism and Change: Austria, Switzerland and the Politics of Industry, Cornell 1984, pp.34-83.

²See also two valuable accounts written before 1955, Cary Travers Grayson, The International Position of Austria 1938-1953, Geneva 1953; Richard Hiscocks, The Rebirth of Austria, London 1953.

from any territory which it had once occupied. Initially the settlement of 1955 was viewed less than positively in the West and stress was laid on the advantages accruing to the Soviet Union as a result of it, such as the promotion of Khrushchev's "peace offensive", the establishment of a neutral wedge across NATO's southern flank and the encouragement given to the idea of German neutrality. Two years after the Treaty was signed Gordon Brook-Shepherd saw neutrality as bringing the "insidious" danger of "non-committal pragmatism" by which Austria would abdicate from its historic mission of acting as a "peaceful and active spearhead of the Western world".³

By the early sixties few of the feared-for consequences of neutrality had materialised and it was becoming difficult to argue a western case against it. Although William Lloyd Stearman still saw a number of short and medium-term Soviet advantages in the signature of the Treaty he also argued that the Treaty had brought positive gains to the West, even if these had not been intended by the Soviet Union.⁴ The growing Austrian success prompted two further arguments, both aimed at minimising the implications of the Soviet change of direction. According to the first the Soviet withdrawal was a "special case". Since the Russians had only stayed in Austria for purely tactical reasons they had sacrificed very little of substance by leaving. According to the second argument the change was one fruit of the policy of western strength which, it is argued, preceded it and which exploited a period of Soviet weakness and indecision following Stalin's

³Gordon Brook-Shepherd, Austrian Odyssey, London 1957 pp.266-274.

⁴William Lloyd Stearman, The Soviet Union and Austria, Bad Godesberg 1960, especially Chapter VIII.

⁵Both arguments are advanced by Voitjeh Mastny, 'Kremlin Politics and the Austrian Settlement', Problems of Communism, 31(2), 1982, pp. 37-51.

death.⁵

Common to all these explanations is a concentration on the Soviet change of policy in 1955.⁶ On close examination, however, this perspective leaves many questions unasked and unanswered. If the Treaty was indeed a western "victory" why were there so many western misgivings about neutrality when it was signed? If the Soviet Union withdrew because it could not take over Austria why did it take so long to make the discovery? Even if the German question was decisive after 1950 why was there no agreement before the Federal Republic came into being? In short, these interpretations fail to provide a coherent picture of Soviet policy for the whole post-war period. Above all they fail to account for the long negotiations before 1950, which, as Elizabeth Barker aptly remarks, "caused the waste of more man-hours of sheer boredom than any other Western-Soviet negotiations of the post-war years."⁷

Willam Bader seems to have recognized this problem in the study he published in 1966. Although he still assumed that the Soviet Union consistently and determinedly tried to take over Austria in the ten years after the war, he clearly had some difficulty in fitting the discussions of the late forties into his thesis and described the failure to achieve a Treaty in 1949 as "baffling to many observers."⁸ More recently, Martin Herz, like Bader an American eye-witness of the period,

⁶See the account by John Wheeler-Bennet and A.J.Nicholls, The Semblance of Peace: The Political Settlement after the Second World War, London 1972, which contains several inaccuracies.

⁷Elizabeth Barker, Austria 1918-1972, London 1973, p.186

⁸William Bader, Austria between East and West, 1945-1955, Stanford 1966, p.198.

has questioned some of his own earlier assumptions about Soviet policy - in particular his dismissal of the view that it might be largely economically motivated.⁹

The most significant recent attempts to provide a coherent interpretation of the whole post-war period have come from Austrian historians.¹⁰ Two broad streams may be distinguished, both of which take Austrian neutrality as their starting-point. The first may conveniently be labelled "moderate" and the other "revisionist".

The chief example of the first stream is the standard work on the Austrian Treaty by Gerald Stourzh.¹¹ Stourzh combines a dispassionate stance with meticulous scholarship and the result is a masterly survey of the twists and turns of the diplomatic discussions on Austria. However, the perspective adopted is also open to some methodological criticism. Sometimes the Treaty discussions seem to assume a greater prominence than the shifts in international relations which lay behind them. As a result the reader gains the strong impression that Austria was following a road, which, however twisting and turning, did lead towards a destination - that of the Treaty and neutrality.¹² This

⁹ Martin Herz, 'The View from Austria', in Thomas T. Hammond (ed.) Witnesses of the Cold War, Washington 1982, pp. 161-185, here p.180; see also Herz's foreword in the collection Reinhold Wagnleitner (ed.) Understanding Austria, The Political Reports and Analyses of Martin E. Herz, Salzburg 1984. p.14.

¹⁰ but see also Barker's discussion (note 7 above) and the examination of Foreign Office attitudes to the "Austrian sub-problem" in Victor Rothwell, Britain and the Cold War, 1941-1947, London 1981, pp.6-79, 352-357.

¹¹ Gerald Stourzh, Geschichte des Staatsvertrages, 1945-1955 (Studienausgabe mit Nachwort), Vienna 1985.

¹² See also the similar interpretations by Kurt Waldheim, The Austrian Example, London 1973, pp.52-3 and Alfred Verdross, Die immerwährende Neutralität Österreichs,
(Footnote continued)

teleological undercurrent, presents some problems, however. As Stourzh points out, it is difficult to distinguish between "rhetorical" and substantive references to neutrality and it is not always clear what criteria Stourzh adopts to do so, or in what sense neutrality can be termed a "gewissermassen latente Frage" in the early fifties.¹³

A similar criticism may also be made of the immensely detailed study of the occupation period written by Manfred Rauchensteiner.¹⁴ The core of Rauchensteiner's argument is that Austria was in some sense a "special case" throughout the Cold War, or even earlier. The Soviet Union, he argues, regarded Austria in a different light to either Germany on the one hand or eastern Europe on the other and, in general, the icy wind of the Cold War blew more mildly there. The Four Powers continued to work together relatively constructively in the Allied Commission. The international consensus associated with Austrian neutrality after 1955, it is implied, existed embryonically in the earlier period. Rauchensteiner convincingly shows that Austria was in many ways indeed a special case. She was occupied and divided into zones but had a national government. She had a western parliamentary system but was partly under Soviet control. The crucial question however - where he seems less convincing - is in what sense these exceptional conditions were historically significant. Rauchensteiner hints that they were part of a longer Austrian continuity but does not make the argument explicit.¹⁵

¹² (continued)

Munich 1978, pp.26-7; for a criticism of the tendency of Austrian politicians to project back neutrality into the post-war period see Shepherd, pp.268-70.

¹³ Stourzh, Geschichte, p.104.

¹⁴ Der Sonderfall - Die Besatzungszeit in Österreich, 1945-1955, Graz-Vienna-Cologne 1979.

He appears, in the final analysis, to over-state the significance of relatively trivial signs of Great Power accord in Vienna and fails to demonstrate any necessary connection between them and the emergence of Austrian neutrality in 1955.

A second stream of recent Austrian historiography has attempted to construct a more explicitly theoretical model of Austria's post-war history as part of a "revisionist" interpretation of the Cold War. There are two sides to the argument - one economic and the other strategic. On the economic side it is argued that western economic interests were instrumental, especially in the early stages, in keeping Austria occupied. These interests are seen as either the wider needs of American "open-door" multilateralism, or as special interest groups such as western oil companies. On the strategic side, the revelations in the Foreign Relations series of serious American doubts about signing a treaty in 1948 and 1949 have been used to support the argument that the American government was as much, if not more responsible for holding up the Treaty than the Russians.¹⁶

¹⁵ Sonderfall, pp.247-8, 336; see criticism by Hanns Haas, 'Kein "Sonderfall": Österreich von der Befreiung zum Staatsvertrag', Zeitgeschichte, 7,8, 1981, pp.308-14; Willibald Holzer, 'Der Kalte Krieg und Österreich: zu einigen Konfigurationsäquivalenten der Ost/West Bipolarisierung in Staat und Gesellschaft (1945-1955)', in Jahrbuch für Zeitgeschichte 1982/3, Vienna 1983, pp.133-209, here pp. 192-6.

¹⁶ Fritz Fellner, 'Österreich in der Nachkriegsplanung der Alliierten 1943-5', in Österreich und Europa-Festgabe für Hugo Hantsch zum 70. Geburtstag, Graz-Vienna-Cologne 1965, pp.581-595; idem, 'Teilung oder Neutralisierung? Zur österreichischen Geschichte des Jahres 1947 nach den "Foreign Relations of the United States"', Österreichische Zeitschrift für Aussenpolitik, 14, 1974, pp.199-216; idem, 'Österreich im Spannungsfeld des Ost-West Konfliktes', Österreichische Zeitschrift für Aussenpolitik, 13, 1975, pp.203-221, idem, 'The International Problem of the Re-establishment of Austria's Independence after 1945', in William E. Wright (ed.) Austria since 1945, Minnesota 1982, (Footnote continued)

Though these interpretations were doubtless a necessary corrective to earlier Cold War assumptions, they nevertheless suffer from several defects. Firstly, the general criticisms of the role allotted to economic factors in American policy-making in revisionist historiography apply a fortiori to the Austrian case.¹⁷ The evidence for any substantial western economic interest in Austria, whether as a market, a source of raw materials or a field for investment is thin. A related weakness is that Austria's economic problems are not discussed in their own right but merely as a function of American intentions. Austrian "viability" is assumed and any doubts about it are ascribed to the shortsightedness of the "Great Powers".¹⁸

Secondly, the "revisionist" interpretation makes even greater teleological assumptions about Austrian neutrality. It assumes that neutrality was in some (usually undefined) sense the "correct" solution for Austria throughout the period. As a result, the actions of politicians tend to be measured against the standard of neutrality and either praised or found wanting.¹⁹ But

¹⁶ (continued) pp.2-12; Rudolf Ardelt and Hanns Haas, 'Die Westintegration Österreichs nach 1945,' Österreichische Zeitschrift für Politikwissenschaft, 3, 1975, pp.379-309; Hanns Haas 'Österreich 1949: Staatsvertragsverhandlungen und Wiederbewaffnungsfrage', Jahrbuch für Zeitgeschichte, Vienna 1978, pp.175-200.

¹⁷ See Robert J. Maddox, The New Left and the Origins of the Cold War, Princeton 1973; John Lewis Gaddis, 'The emerging post-revisionist synthesis,' Journal of Diplomatic History, 7,3, 1983, pp.171-190.

¹⁸ See, for example, Fellner, 'The International Problem', pp.3-4.

¹⁹ See, for example, Reinhold Wagnleitner ('Walter Wodak in London 1947 oder die Schwierigkeit, Sozialist und Diplomat zu sein', in Gerhard Botz und Hans Hautmann (eds.) Bewegung und Klasse: Studien zur
(Footnote continued)

this is to view the events of the forties through the distorting mirror of Austria's success after 1955. It overlooks the fact that hardly any Austrian politicians even considered - let alone consistently advocated - neutrality.²⁰ At a time when agreement on a Treaty seemed imminent in 1949 neutrality was not even on the agenda.

Thirdly, this perspective results in a distorted view of the relationship between the occupying powers and Austria. The "Great Powers" are seen as subjects and Austria as a passive object and usually as the victim, either of their pursuit of "Machtpolitik" or at any rate of their inability to agree. Western economic "designs" on Austria are compared to Soviet economic designs. An alleged Soviet attempt to take over Austria is matched by a putative American (or in the early phase British) attempt to "force" Austria into a western sphere of influence.²¹ The argument will be discussed in more detail below.²² Here it is enough to note that it

¹⁹ (continued)

Österreichischen Arbeitergeschichte, Vienna-Munich 1978, pp. 217-41; Karl R. Stadler, 'Zwischen Paktfreiheit und Neutralität. Zur Vorgeschichte des Österreichischen Neutralitätsgesetzes', in Politik und Gesellschaft im Alten und Neuen Österreich. Festschrift für Rudolf Neck zum 60. Geburtstag. Isabella Ackerl, Walter Hummelberger und Hans Mommsen, (eds.) Vol 2, Vienna 1981; Holzer, p. 169.

²⁰ In 1954 even the communists were told to drop neutrality in the interests of the fight against "German militarism". See Ernst Fischer, Das Ende der Illusionen, Vienna 1973, p.367.

²¹ See for example Egon Matzner, 'Der Kalte Krieg in Österreich' in Wolf Frühauf (ed.), Wissenschaft und Weltbild: Festschrift für Hertha Firnberg, Vienna 1975. pp.193-209; Ardelt and Haas (p.379) define "Westintegration" axiomatically as the process, "in dem eine immer stärkere Unterordnung österreichischer Interessen unter die Gesamtzielsetzungen der westlichen Alliierten erfolgte aus dem sich auch im Inneren Österreichs Konsequenzen für das soziale, wirtschaftliche und politische Leben ergaben...Österreich in zunehmenden Masse von den USA gezwungen und motiviert wurde," (Footnote continued)

involves several doubtful assumptions. It suggests that Austria's post-war social and economic order was imposed from outside, whereas in fact it was firmly rooted in her social and political consensus. Above all it understates the identity of interest between the Austrian government and the West.

The present study attempts an examination of the post-war discussions on Austria relatively unclouded by the hindsight bestowed by her later success, whether in the pursuit of neutrality or in the creation of economic prosperity. Its basic theme is not an unceasing Soviet attempt to absorb Austria into its sphere nor an Austrian struggle to be neutral but the possibilities and difficulties of reaching agreement in a world moving into a state of polarisation. It is hoped that, as a result, light will be shed on the rationality of the policies adopted by the different parties in relation to their respective ends (so far as these can be ascertained) and that a useful contrast will emerge between the settlement which might have been agreed in the late forties and the one which was finally signed, sealed and presented to the cheering crowds outside the Belvedere Palace in May 1955.

²¹ (continued)

sich in den Westen zu integrieren: politisch zuerst, dann wirtschaftlich, und dass der Westen schliesslich auch Österreichs militärische Westintegration anstrebte."

²² See below, p.196 ff.

CHAPTER ONE - GREAT BRITAIN AND THE UNSOLVED AUSTRIAN QUESTION, 1918-1945

By the end of the Second World War British forces in Austria were close to the Hungarian border, deeper into central Europe than at any time in their previous history. On the face of it this was a striking reversal of an age-old axiom of British foreign policy - to avoid embroilment in continental Europe. It was also in stark contrast to British policy in the inter-war period. Having acquiesced in the break-up of the Habsburg Empire British policy had tried to mitigate the damage caused to central Europe's stability indirectly, by way of French or Italian policy, rather than directly. It was no accident that the most active British involvement in Austria - during the economic crisis which followed the collapse of the Creditanstalt in 1931 - was the result of initiatives by financial circles and the Bank of England rather than the Foreign Office.¹

Austria's decline into repression and dictatorship in the 1930s increased this reluctance still further. Although British ministers in Vienna, especially Walford Selby, urged that more active financial and political

¹For British policy towards Austria in the interwar period see Anne Orde, 'Grossbritannien und die Selbständigkeit Österreichs 1918-1938, Vierteljahresheft für Zeitgeschichte, 28, 1980, pp. 224-247; Siegfried Beer, 'Zwischen "Containment" und "Appeasement" - Das Foreign Office und die britische Österreichpolitik vom Zollunionsprojekt 1931 bis zur Österreichsdeklaration der Grossmächte von September 1934', Unpublished PhD, Vienna Univ. 1981; for British economic policy and the Danube basin see Marie-Luise Recker, England und der Donauraum 1919-1929, Stuttgart 1976; György Ranki, Economy and Foreign Policy: The Struggle of the Great Powers for Hegemony in the Danube Valley, 1919-1939, New York, 1983.

support be given to Dollfuss, officials in London remained sceptical. After the suppression of the Vienna workers in February 1934 it was difficult to sell a policy of support for the Ständestaat to the British public. Even those officials who were in favour of actively resisting German encroachment in central Europe, like Vansittart, showed little sympathy for Selby's pleas.² It is true that E.H.Carr, who proposed that Britain should actively disinterest herself in Austria's survival, was not supported either. Nevertheless it became increasingly clear that Britain had neither the will nor the means to counteract Germany's ever-increasing economic and political penetration.³ Vansittart's policy of invoking Mussolini's Italy as a counter-weight to Hitler's Germany bloomed briefly in July 1934 after the Nazi assassination of Dollfuss but quickly faded. Despite the "Stresa front" of the following year British commitment to central Europe remained skin-deep. Once Britain and Italy had become estranged over Abyssinia and the Spanish Civil War, Britain could do little more than watch as Germany's penetration of central Europe steadily increased.

By 1936 most British policy-makers had accepted that an Anschluss between Austria and Germany was, at some stage, virtually inevitable. Even if they did not accept the widespread assumption that the ban imposed by the Treaties of Versailles and Saint-Germain had been unfair or that Austria was necessarily, as so often alleged, "unviable", a feeling of helplessness took command.⁴ Whatever the objections within the Foreign

²See Beer, pp.424-426; Selby's own account in Diplomatic Twilight, 1930-1940, London 1953; Norman Rose, Vansittart - Study of a Diplomat, London 1978, p.108 ff.

³Beer, pp.422-6.

⁴Orde, p. 247; for the diplomatic background see Jürgen Gehl, Austria and the Anschluss 1931-1938, Oxford (Footnote continued)

Office to appeasement in general, there appeared to be no practical alternative in the case of Austria. Oliver Harvey⁵ might claim that his political master, Anthony Eden, who resigned as Foreign Secretary shortly before the Anschluss, had been "a symbol for a....policy which....had steadied our friends and had kept the dictators guessing" but his own reaction to the Anschluss does not suggest that Eden would or could have reacted much differently than Chamberlain.⁶ There was, in Middlemas's phrase, little to choose between "Eden's wishful thinking and Chamberlain's wishful realism."⁷

The question of whether British actions actually hastened the Anschluss cannot be discussed here but there can be little doubt that when it finally approached it was greeted with something akin to relief in London. Vansittart's successor as Permanent Under-Secretary at the Foreign Office, Alexander Cadogan, noted on 15 February 1938, "Personally, I almost wish Germany would swallow Austria, and get it over. She is probably going to do so anyhow - anyhow we can't stop her." On 11 March he recorded that "it would have been criminal to encourage Schuschnigg to resist when we couldn't help him. At the end of the day H [alifax] and I agreed our consciences were clear."⁸ As

⁴ (continued)

1963; Gerhard Weinberg, The Foreign Policy of Hitler's Germany, Chicago-London, 1980, vol. II, pp.261-312.

⁵ For main biographical details see Appendix One.

⁶ John Harvey (ed.), The Diplomatic Diaries of Oliver Harvey 1937-1940, London 1970, entry for 5 March 1938. See also Guy Stanley, 'Great Britain and the Austrian Question 1938-1945', unpublished PhD, London Univ. 1973, pp.18-23.

⁷ Keith Middlemas, The Diplomacy of Illusion, London 1972, p. 154; for a similarly sceptical view of Eden see David Carlton, Anthony Eden - A Biography, London 1981, pp. 333-334.

for Chamberlain, though protesting against the German action, rather more vociferously than sometimes maintained⁹ - he did, on the whole, regard it as one obstacle removed, however disagreeably, from the path to Anglo-German understanding. The speedy recognition of the new order which followed, sealed British acceptance of Hitler's fait accompli.¹⁰

The support which the new regime received within Austria strengthened the view that, however unpleasant the manner of Austria's passing, the corpse need not be mourned unduly. The memory of Austrian support for the Anschluss was to remain a strong one for many senior British officials. Ivone Kirkpatrick, who had viewed events from the Berlin Embassy, recorded an uncharitable but not unrepresentative view in his memoirs:

I am afraid I never felt much sympathy with the Austrians over the rape of their country. The young and the more energetic of the nation broadly speaking desired the Anschluss because incorporation in the Reich offered more scope for their ambitions, whilst the mass of the people inertly acquiesced in their machinations and were ready to cheer the invaders. Only a very small minority made any serious effort to resist and they were betrayed on every side...the majority accommodated themselves to the new regime.¹¹

For our purposes it does not much matter whether Austria's later view that she had been thrown to the

⁸ David Dilks (ed.), The Diary of Sir Alexander Cadogan 1938-1945, London 1971. Ibid.; see also Rose, pp.220-221.

⁹ Hansard, House of Commons Debates, 5th Series, 14 March 1938, vol. 333, cols. 45-52; see also Hanns Haas, 'Die Okkupation Osterreichs in den internationalen Beziehungen', in Anschluss 1938, Vienna 1981, pp. 16-43, and pp.296-311.

¹⁰ Middlemas, p. 154; Larry H. Fuchser, Neville Chamberlain and Appeasement; a study in the Politics of History, London 1982, pp.109-110.

¹¹ Ivone Kirkpatrick, The Inner Circle, London 1959, p.107.

wolves or Kirkpatrick's view that she had joined them was correct. Both are probably best seen as psychological attempts to come to terms with a period which, by any account, well deserved to be considered as "a study in failure."¹²

British war-time discussion of Austria's post-war future was first and foremost aimed at avoiding a repeat performance of this failure.¹³ Judged in this light, the pessimism many British officials felt about Austria's chances of survival as an independent state was less irrational than it appears when viewed with the distorting hindsight of Austria's recent success.¹⁴ There were plenty of good reasons in the immediate aftermath of the Anschluss for doubting both the strength of Austria's national will and her future economic prospects. There were few signs, at least in London, of a revival of Austrian identity and national consciousness in the first years of the war. Even now, though often discussed, this revival remains an elusive phenomenon.¹⁵ At all events it is understandable that,

¹²The title of a study of the First Austrian Republic by Malcolm Bullock, published in London in 1938.

¹³For British planning see Stanley; Joan Hills, 'British Policy and Strategy towards Austria in the years 1943-1945,' unpublished PhD., London Univ., 1975; Robert Keyserlingk, 'Austrian Restoration and Nationalism: A British dilemma during World War II', Canadian Review of Studies in Nationalism, 9, 1982, pp.279-296.

¹⁴For this interpretation of British policy see in particular Fritz Fellner, 'Die aussenpolitische und völkerrechtliche Situation Österreichs 1938. Österreichs Wiederherstellung als Kriegsziel der Alliierten' in: Erika Weinzierl and Kurt Skalnik (eds.), Österreich, Die Zweite Republik, Graz, 1972, vol.1, pp.53-90; idem, 'The International Problem' pp. 2-12; Reinhold Wagnleitner, 'Grossbritannien und die Wiedererrichtung der Republik Österreich', unpublished PhD, Salzburg Univ., 1975.

¹⁵Attempts to explore it by Radomir Luža, Austro-German (Footnote continued)

with the results of the 1938 plebiscite ringing in their ears, western officials and politicians were chary about imposing for a second time a "Staat wider Willen" on the Austrian population.¹⁶ As for Austria's economic future, even if the signs of economic recovery before the Anschluss and the importance of German investment after it, were recognised as being likely to strengthen Austria's economy, a large question-mark remained.¹⁷

Some Austrian historians have seen these reservations as part of a British grand design in central Europe. The British, it is argued, were bent on establishing an anti-Soviet sphere of influence - even a "Monroe doctrine" in South-East Europe.¹⁸ The evidence for this interpretation is scanty and the view itself is anachronistic in two senses. Firstly, it projects a later East-West antagonism back into the war-time period. In doing so it confuses growing western concern about the growth in Soviet power and the wish to limit it where possible, with the post-war conviction that East and West were irreconcilably opposed. British policy during the war was still based on the belief - or hope - that post-war co-operation could be made to

¹⁵ (continued) relations in the Anschluss Era, London 1975, Felix Kreissler, La prise de conscience de la Nation autrichienne, Paris 1980, 2 vols, here vol.1, chap. 10.

¹⁶ For the views of a group of M.P.s, see After the War, A symposium of Peace Aims, (ed.) William Teeling, London 1940. For Churchill's views see Martin Gilbert, Winston S. Churchill, vol. VI, London 1983, pp.201, 1069-70.

¹⁷ See Stanley, pp.92-3.

¹⁸ Wagnleitner, 'Wiedererrichtung', p.365.

¹⁹ See for example Victor Rothwell, Britain and the Cold War, 1941-1947, London 1982, pp.14-20; Graham Ross, The Foreign Office and the Kremlin: British Documents on Anglo-Soviet Relations, 1941-1945, London 1984,

work.¹⁹ Secondly and equally anachronistically, this interpretation sees Austrian interests as being "sacrificed" to "Great Power Realpolitik" at a time when Austria was part of a Greater Germany with which the Allies were at war.²⁰ In fact Austria was not the subject of major Allied disagreement at all for most of the war, precisely because she was seen - with whatever qualifications - as a part of the enemy. In contrast to vexed bones of contention like Poland or the Baltic states there was relative unity over the general terms of Austria's treatment. This unity depended firstly, on the tacit assumption that Austria was to be treated as an object of the Allied policy - albeit less severely than Germany - and secondly, on the deferment of any detailed decisions about her post-war social and political development.²¹ One aspect of this was that the Austrian exiles in London, were treated with considerable reserve by the Foreign Office on the assumption that political life in Austria herself would be only gradually re-established.²²

What is significant about Allied war-time discussions on Austria, therefore, is not the fact that the British and Americans (like many Austrians) continued to have their doubts about the viability of a future Austrian State but that they swallowed these

¹⁹ (continued)

pp.50-1; Elizabeth Barker, Churchill and Eden at War, London 1978, p 286 ff.

²⁰ E.g. Fellner, 'The International Problem', pp.3-4.

²¹ See Wilfried Aichinger, Die sowjetische Osterreichpolitik 1943-45, Vienna 1977, p. 75.

²² See APW Committee, 13th Meeting, 17 August 1944, PRO, CAB 87/66; 'Post-War Economic Policy towards Austria', 22 September 1944, APW(44)93, CAB 87/68; APW Committee, 19th Meeting., 19 October 1944, PRO, CAB 87/67; Stanley, pp.176-197; Helene Maimann, Politik im Wartesaal: Osterreichische Exilpolitik im Grossbritannien 1938-1945, Wien 1975.

doubts. By 1943 British officials were already moving steadily away from any idea of a Danube federation in view of likely opposition both from the successor states and the Soviet Union. In the summer of 1943, having rejected the options of continuing the Anschluss or creating a South German federation, they considered the two alternative solutions of an independent Austrian State and a Danube federation. Both appeared fraught with difficulty. An independent Austria, it was argued, might well be continue to be susceptible to "the attraction which a regenerated Germany might still exert". On the other hand a Danube federation, however desirable on economic grounds, would be unlikely to be accepted by either the "successor states" or by the Soviet Union. Hedging its bets, officials concluded that "the way should be left open for [Austria's] inclusion, if circumstances permit, in whatever international or regional structure may develop in central and South-East Europe."

It is true that Churchill still hankered after the idea of a Danube federation - and even a Habsburg restoration - and the War Cabinet's reaction to these recommendations certainly bears his stamp:

we should aim at a Central European or Danubian Group centred on Vienna. Such a group should aim at combining the economic stability of the larger unit with the considerable degree of freedom in purely local affairs of the smaller national or racial units into which Austria-Hungary had split up at the end of the war....it might prove important that this larger grouping should be established soon after the war ended, before there had been time for opposition to harden on other lines.²³

However, Churchill's often wayward and volatile ideas were not British foreign policy.²⁴ The discussions of

²³ WP(43)218, 25 May 1943, PRO, CAB 66/37; War Cabinet, (43)86th Conclusions, 16 June 1943, PRO, CAB 65/34.

the three Foreign Ministers in Moscow in October 1943 evidently took place without any particular clash over Austria's restoration. The "Moscow Declaration" which emerged from them announced the Allies' intention to restore a "free and independent Austria". Out of deference to Soviet dislike of any suggestion of a central European cordon sanitaire, there was merely an allusion to "those neighbouring states which will be faced with similar problems."²⁵

Both the British and Americans, it is true, continued to regard the future of a re-established Austrian state with misgivings. Its restoration was a policy made faute de mieux in order to weaken Germany, not the result of any great confidence. As Geoffrey Harrison, then First Secretary in the Central Department sharply noted: "were it not for the strategic importance of keeping Austria separate from Germany, we could let this flabby country stew."²⁶ Flabby or not, Austria's occupation was now planned for on the assumption that she would become a separate state once more. It was clear, however, that any British plans for a role in the area were likely to be limited both by the increase of Soviet power and by Britain's lack of manpower. In the words of Gladwyn Jebb, the Chairman of the Post Hostilities Planning Staff, in Spring 1944:

²⁴ Stanley, pp. 104; for the relationship between Churchill and Eden see Elizabeth Barker, Churchill and Eden at War, pp.300-6; idem, Austria 1918-1972, pp.142-4; Carlton, pp.183-258.

²⁵ Text in Foreign Relations of the United States [FRUS] 1943, II, p.761 and Grayson, appendix IV; the view of Wilfried Aichinger (Die Sowjetische Österreichpolitik 1943-5, Vienna 1977, p.40) that the result was a western "Niederlage" overstates the degree to which the diplomats "fought" over the question; Fellner ('The International Problem', p.7) incorrectly suggests that the declaration kept the option of a federation significantly open.

²⁶ Minute of 4 July 1944, cited by Hills, p.21.

Whatever our objectives may be it may be very difficult to achieve them. If for instance, the Russians should manifest a strong desire themselves to occupy Bulgaria or even Hungary, it might in practice be almost impossible for us to resist their decision unless we had the strong support of the United States of America. In addition the forces which we can ourselves spare for the purpose of occupation will obviously be small, whereas the Russians will have very large forces at their disposal.²⁷

The Chiefs of Staff were even more cautious about committing British manpower in the area. They stressed that "it should clearly be understood that we should in no way be committed at the present time to provide forces on the scale proposed....for the occupation of any of the countries in South-East Europe".²⁸ These discussions are not evidence of a British grand design centred on Austria. Britain's fundamental strategic interests lay in the Mediterranean and the Middle East not in central Europe.²⁹ If the British occupation of Austria was regarded as "inescapable" commitment it was because it was seen as an inevitable by-product of winning a war against Greater Germany.

Churchill, admittedly, returned to the idea of a Catholic 'Austro-Bavarian' federation and before talking to Stalin in October 1944 discussed it with both Roosevelt and Otto von Habsburg.³⁰ In Moscow, though

²⁷ PHP (43)36, (Final), 10 February 1944, PRO, CAB 87/84; Wagnleitner ('Wiedererrichtung', pp.64-6) fails to demonstrate his contention that this fairly academic exercise was the "Grundlage" for future British policy.

²⁸ Armistice Terms and Civil Affairs Committee, ACA(44)16, 14 March 1944, PRO, CAB 87/84.

²⁹ 'British Interests in SE Europe', ACAO(44)23, 14 April 1944; ACA, 5th meeting, 20 April 1944, PRO, 87/84; Stanley, pp.218-20.

³⁰ Hellmut Andics, Die Insel der Seligen (2nd ed.), Vienna 1981, pp.24-26; Barker, Austria 1918-1972, (Footnote continued)

Stalin did not oppose the idea directly, he gave it less support than Churchill afterwards implied to Roosevelt.³¹ By the time of the Yalta Conference in February 1945 the idea of a federation in central Europe was dead - along with the idea of German dismemberment. Although the war-time alliance was deeply divided over the future of Poland and eastern Europe as a whole, Austria still looked like an arena where some degree of Allied co-operation could continue. After the Americans had finally accepted a zone, the outlines of tri-partite (later quadripartite) occupation were agreed - even if the wrangling over the details of the zones was to continue into the summer.³²

From the autumn of 1944 fears had been growing in London that the assumption of joint occupation might be abandoned as soon as the Red Army entered Vienna. British efforts to hedge against this were unsuccessful.³³ Seen against this background, and that of Soviet actions in Poland and Rumania after the Yalta conference, the initial western reaction to the Soviet establishment of an Austrian provisional government under the Socialist veteran Karl Renner in April 1945 is understandable. The move was made without any prior consultation. It appeared to call the whole principle of Allied collaboration into question and seemed to be, in Harvey's words, "a very fast one."³⁴

³⁰ (continued)
pp145-6.

³¹ Winston Churchill, The Second World War, Vol. 6, Triumph and Tragedy, London 1954, p.210; see also Warren F. Kimball, Swords or Ploughshares? The Morgenthau Plan for Defeated Nazi Germany 1943-6, pp.139-40 and Aichinger, p.75.

³² See Rauchensteiner, Sonderfall, pp.25 ff.

³³ Stanley, pp.240-6.

³⁴ Harvey, entry for 29 April 1945.

Although the precise chain of events and motives behind Renner's appointment still remains obscure, with the benefit of hindsight it seems unlikely that it had in fact been intended as such a radical move by the Soviet Union.³⁵ What prevented Renner becoming a "Soviet puppet" was less his political cunning, considerable though this was, than the fact that the Russians were evidently still committed to a policy of four-power control and occupation.³⁶

The principle failing of western, and above all British policy in respect of the Renner government, therefore, lay less in its initial (admittedly often intemperate) reaction than in its persistence in continuing to refuse recognition well after the line had become self-defeating. After the failure of the western Mission to Vienna early in June agreement was finally reached on the occupation zones and control machinery a month later. There was little point now in remaining aloof. Further British prevarication arose from the attempt to bargain recognition of the Renner government and agreement to take up their zone in Vienna against Soviet agreement to the establishment of a food

³⁵Standard accounts of Renner's now legendary walk to the Red Army positions in Bader, p.20-4ff; Hiscocks, pp.20-4; Renner's own account in Denkschrift über die Geschichte der Unabhängigkeitserklärung Österreichs, Vienna 1945; see also Jacques Hannak, Karl Renner und seine Zeit, Vienna 1965, p.669 ff. S.M. Shtemenko, The Last Six Months, New York, 1977, p. 324 ff. For recent discussion see Aichinger, pp. 132-139; Rauchensteiner, Sonderfall, p. 66 ff. Vojtech Mastny, Russia's Road to the Cold War, New York 1979, p.268.

³⁶See Aichinger, p.130; however his argument that the Russian aim was also to give "eine nach aussen hin deutlich sichtbare de facto Trennung Österreichs vom dritten Reich" is less convincing and hardly explains the lack of consultation; see also minutes of a meeting between members of the Renner government with Marshall Tolbuchin, 12 May 1945, AVA, Kabinettsratsprotokoll, [KRP] 8, 22 May 1945, Beilage.

commission in the Danube states.³⁷ Even as a tactical ploy this card was weak. American support quickly evaporated and, sensing the weakness of the British position, Renner was able to go confidently ahead with his plans. The Provincial Conference (Länderkonferenz) at the end of September turned into an occasion for legitimising the provisional government not restructuring, let alone deposing it, as the British had hoped.³⁸ In the end the British had reason to be grateful both to the Conference and to Renner for allowing them to save some face. At a key meeting with the British Commander-in-Chief, General Richard McCreery and his political advisor, William Mack, in November, Bevin sounded a new and more understanding note.

The most important thing was to get the Russian troops out, and for this reason he thought that it might be wise not to press too hard over the composition of his post-election Government.³⁹

The British miscalculation over Renner lay in the failure to adjust quickly to a new situation. Austria was no longer a vacuum. She had become a political factor and, most pertinently, one which was more likely to be pro-western than pro-Soviet. The new Austrian Socialist leaders were precisely the kind of pragmatic, non-ideological leaders whom British officials missed among the socialist exiles in London. The elections of 25 November 1945 underlined the strength of Austria's anti-communism. Despite nominal communist participation, the Austrian government under the chancellorship of Leopold Figl, leader of the Volkspartei (People's Party)

³⁷ Brief for Secretary of State, 15 August 1945, Troutbeck, Mack and Coulson, PRO, FO 371/46627/C4759; Overseas Reconstruction Committee, 3rd Meeting, 16 August 1945, PRO, CAB 134/594; Stanley, p.323.

³⁸ See Franz-Josef Feichtenberger, 'Die Länderkonferenzen 1945; die Widererrichtung der Republik Österreich,' Unpublished Ph.D., Vienna Univ.1965.

³⁹ Meeting at FO of Bevin, McCreery, Mack, 13 November 1945, PRO, FO 371/46634/C8360.

was based on a firm national rejection of communism.⁴⁰ The slight recovery which had preceded the Anschluss it still. The re-establishment and recognition of a freely elected Austrian government and the end of the Anschluss did not mean, as often assumed, that the "Austrian question" was solved.⁴¹ Enormous short and long-term problems remained. The supply of food and raw materials from the East was drying up. Even the surplus areas of the British zone had to be supplied from outside and supplies from the traditional areas in the East had been radically disrupted.⁴² Though less catastrophic than in many German cities, war damage was still considerable.⁴³ The influx of hundreds of thousands of refugees and surrendered personnel pressed heavily on Austria's already limited resources. The regaining of political sovereignty counted little in the face of these enormous problems. It is hard to disagree with McCreery's conclusion that "if the Forces are withdrawn too soon from Austria, there is very little likelihood of the country surviving."⁴⁴

There was also, superimposed on the problem of

⁴⁰The elections gave the People's Party, (ÖVP) 85 seats, the Socialist Party (SPÖ) 76 and the Communist Party (KPO) 4 seats.

⁴¹See for example Fellner, 'Die aussenpolitische Lage', pp.89-90.

⁴²See Alan Milward, War, Economy and Society, London 1979, p.359 ff.

⁴³See Felix Butschek, 'Struktur- und Integrationsprobleme', in Erika Wienzierl and Kurt Skalnik (eds.), Österreich: Die Zweite Republik, Graz 1972, vol.1, p.522; Günter Bischof 'Foreign Aid and Austria's Economic Recovery After World War II', in Werner J Feld (ed.) New Directives in Economic and Security Policy, Boulder-London 1985, pp.79-91.

⁴⁴Mack to Harvey, 27 October 1945, enclosing copy of McCreery's letter to General Anderson, PRO, FO 371/46634/C7790.

short-term disruption, a longer-term problem. Despite the slight recovery which had preceded the Anschluss it still seemed questionable if Austria could be viable unless the market fragmentation following the break-up of the Habsburg Empire was either reversed or offset elsewhere. Bevin had expressed doubts about the wisdom of re-establishing Austria within her pre-war borders for this reason.⁴⁵ A massive official report in October 1944 refuted the arguments for a supra-national federation as impracticable and was sceptical even about the chances of a Danube Customs Union.⁴⁶ Nevertheless it did convincingly demonstrate that the economic future of any re-established Austrian State - on which the successful growth of Austrian national consciousness ultimately depended - remained fraught with difficulties. It concluded, unsurprisingly, that Austria's future prosperity would depend on a revival not only of Danube trade but of international trade generally.⁴⁷ It goes without saying that at the end of 1945 no such revival was even on the horizon.

⁴⁵ APW 4th Meeting, 18 May 1944, PRO, CAB 87/67; see also Wagnleitner, 'Wiedererrichtung', pp.32-33. Bevin's comments in favour of a "federal Customs Union of self-governing units which might contain Yugoslavia, Austria, and Italy, and possibly cover certain South German states" were commented on scathingly by Gladwyn Jebb, who minuted "if he is seriously proposing a "Federal Customs Union" containing Bavaria, Württemberg, Yugoslavia and Italy, then I confess that it seems to me the purest moonshine", 23 May 1944, PRO, FO 371/40762/U4659.

⁴⁶ 'Report of the Interdepartmental Committee on Post-War Economic Policy towards Austria', APW (44) 93, 22 September 1944, PRO, CAB 87/68. It is hard to see how this report can be seen as the first step towards a British dominated Danube federation as argued by Wagnleitner ('Wiedererrichtung', p.34) or of a British intention to impose on Austria "irgendeine Art von überstaatlichem Korsett." (Rauchensteiner, Sonderfall, p.30); see also Stanley, pp.183-192; Llewellyn Woodward, British Foreign Policy in the Second World War, v, London 1976, pp.245-246.

⁴⁷ 'Report of the Interdepartmental Committee on Post-War Economic Policy towards Austria', APW (44) 93, 22
(Footnote continued)

long. However these problems were to be approached, it was clear that Austria would be massively dependent on outside aid for some time. Renner's famous comparison of the occupation forces to "four elephants in a boat" should not be allowed to obscure the fact that Austria - as Renner knew better than anyone - could not survive unless the elephants kept ferrying supplies on board.

Where was this aid to come from? Whether or not the Soviets were indeed intent on taking Austria over was in a sense irrelevant beside their evident - if understandable - intention to pursue a policy based on economic exploitation of Austria's resources. In August 1945 Mack reported that Soviet policy was largely negative in content. He noted signs that the Russians were envisaging only a short occupation and a "Russian unwillingness to shoulder long-term commitment in Austria...on grounds of economic expediency."⁴⁸ Even disregarding their removals of capital equipment from eastern Austria, it was clear that the Russians had little interest in re-building a trading network within the Balkans where Vienna could resume its traditional banking, insurance and marketing functions.

It was equally clear that Britain could not provide more than short-term relief. Even at the end of 1944 officials had stressed that any post-war British economic help would be "strictly limited."⁴⁹ Important though British relief was to Carinthia and Styria in the

⁴⁷ (continued)

September 1944, PRO, CAB 87/68; see also letter by the Austrian liberal businessman, Julius Meinl, advocating a "federative solution in Central Europe" to The Economist, 17 February 1945.

⁴⁸ Mack to WO, 14 August 1945, PRO, FO 1020/970.

⁴⁹ 'Report of the Interdepartmental Committee on Post-War Economic Policy towards Austria', APW (44) 93, 22 September 1944, PRO, CAB 87/68.

immediate aftermath of the war, it was evidently not a long-term solution.

This underlines the reality behind the apparent paradox of a British presence in the heart of central Europe, mentioned at the start of this chapter. Britain's role in the occupation of Austria was a contingent result of the decision she had made to resist Germany's bid for hegemony, not the result of any deeper strategic or economic necessity. Britain had neither the political will nor the economic resources to continue her presence longer than necessary. Straight after the November elections the first steps towards a British "disengagement" were taken.⁵⁰ It was clear that the United States, now the most powerful world power, was the only country in a position to provide Austria with the support she required. The American decision to allow Austria to be given UNRRA aid in August 1945 was the first step in this direction.⁵¹ But UNRRA was a strictly short-term commitment. Its extension was neither self-evident nor predictable. The United States' links with the area were even more tenuous than Britain's and there was little obvious economic rationale for America to establish any. Her commitment to an occupation zone had been made reluctantly after much delay and by the end of the war isolationist pressure was beginning to re-assert itself.

What led to a firm and long-standing American commitment to Austria was the perception that a pro-western Austrian government was under threat from the Soviet Union. The United States' sense of a global Soviet threat developed hand-in-hand with its commitment

⁵⁰ See British aide mémoire, proposing troop reductions, 28 November 1945, PRO, FO 371/46636/C9327.

⁵¹ See George Woodbridge, The History of UNRRA, New York 1950, vol.2, chap. 9.

to Austria's survival. This twin process centred round the complex question of German external assets in Austria and will be discussed in the next chapter.

1. An Allied Modus Vivendi?

At one level the German assets question, which was to dominate so much of the discussion on Austria after the war, was a stuporously complicated technical problem. How were the considerable changes in investment and ownership which had taken place since 1938 to be dealt with now that the Reich was no more? These changes consisted mainly of the creation of new capital and changes in ownership. In either case it is probably impossible to make an accurate calculation of the figures involved. There had been heavy losses as a result of the war but in key sectors of the Austrian economy such as oil production, hydro-electric power and chemicals there had been considerable capital enhancement. Whatever the precise balance-sheet of losses and gains, it is clear that by the end of the war there was a considerable amount of capital whose ownership was unclear or in dispute.

1. Evil's Subsequent Die Österreichische Wirtschaft 1938-1945 Vienna 1952, pp. 111-112) estimated that Austria's Gross National Product grew in real terms by 70% between 1937 and 1944, an American estimate of 1947 was that "available German assets in East Austria" were worth an approximate value of 700 million dollars. Archives of the Austrian Republic, 29 January 1949, FRUS 1949, II, p. 1457. See also John M. Rothchild, The Austrian Economy since 1945, London 1950, pp. 2-3, Horvath, Die Wirtschaft der Österreichischen Sozialist. Arbeiterpartei und Österreich 1938-1945, in William E. Scheer (ed.), Austria since 1945, Washington 1967, pp. 77-100 and Wieder, op.cit. Otto Klambauer, 'Die CIA in Österreich', unpublished Ph.D. Vienna Univ. 1970, idem, 'Die Politik der Deutschen Diktatur in Österreich', Jahrbuch für Zeitgeschichte, Vienna 1973, pp. 177-178) discuss the question of transfers that overlooks the question of capital increase.

CHAPTER TWO: GERMAN ASSETS: INTERNATIONAL POLARISATION
AND WESTERN COMMITMENT

1. An Allied Modus Vivendi?

At one level the German assets question, which was to dominate so much of the discussion on Austria after the war, was a stupendously complicated technical problem. How were the considerable changes in investment and ownership which had taken place since 1938 to be dealt with now that the Anschluss was no more? These changes consisted broadly of two kinds; creations of new capital and changes in ownership. In either case it is probably impossible to make an accurate calculation of the figures involved. There had been heavy losses as a result of the war but in key sectors of the Austrian economy such as oil production, hydro-electric power and chemicals there had been considerable capital enhancement. Whatever the precise balance-sheet of losses and gains, it is clear that by the end of the war there was a considerable amount of capital whose ownership was unclear or in dispute.¹

¹Felix Butschek (Die Österreichische Wirtschaft 1938-1945 Vienna 1978, pp. 111-112) estimates that Austria's Gross National Product grew in real terms by 23% between 1937 and 1944. An American estimate of 1947 was that "admissible German assets in East Austria" might have an aggregate value of 700 million dollars, Erhardt to Acheson, 28 January 1948, FRUS 1948, II, p.1452. See also Kurt M. Rothschild, The Austrian Economy since 1945, London 1950, pp.2-9, Hermann Freudenberger and Radomir Luža, 'National Socialist Germany and Austrian Industry, 1938-1945', in William E. Wright (ed.), Austria since 1945, Washington 1982, pp. 73-100 and Bischof, op.cit. Otto Klambauer, ('Die USIA Betriebe', unpublished Ph.D, Vienna Univ. 1978, idem, 'Die Frage des Deutschen Eigentums in Österreich', Jahrbuch für Zeitgeschichte, Vienna 1978, pp.127-174) discusses the question of transfers but overlooks the question of capital increase.

Claims to these assets came from three main directions and were based on three almost entirely different sets of arguments. The Soviet Union based its claim on the immense war losses suffered at the hands of Greater Germany, for which it believed Austria to have, in some sense, a shared responsibility. Austria's claim was based on two arguments: firstly, that without the economic means to be independent the promise to re-establish a "free and independent Austria" made in Moscow in 1943 was a hollow one: secondly, that those assets which had become German in the course of the Anschluss had been transferred forcibly or created with Austrian resources. Claims from the West were based on a variety of pre-war titles, ranging from the claims of former Austrian refugees to property lost as a result of "aryanisation", to those of western oil companies to exploration rights which had been redistributed under the terms of the "Bitumen Act" of August 1938.

The main theme of this chapter is not the moral or legal validity of these different arguments but their relation to the broader shifts in international politics. It will be argued that the global polarisation which took place in 1946 meant that an already difficult technical problem became overlaid with momentous strategic and political considerations.

Any discussion of this question has to confront the central question of Soviet goals towards Austria. Earlier western historiography saw Soviet economic claims largely as a cloak for an attempt to absorb Austria into the Soviet sphere.² More recently this view has been questioned in two ways: firstly, the complexity of the problem rather than Russian policy in itself, is seen as the root of the disagreement.³ Secondly, a

²See, for example, Stearman, p 27; Bader, pp.32, 116-7.

³Waltraud Brunner, 'Das Deutsche Eigentum und das Ringen
(Footnote continued)

revisionist argument has been put forward which sees Soviet policy as economically rather than politically motivated and, in this respect, little different from western economic claims.⁴

There is little doubt that earlier interpretations did underestimate the purely economic aspects to the Soviet claim to German assets, but the revisionist thesis goes too far in discounting any political element in Soviet policy. The inference that because the Soviet Union's minimum requirements were economic, it therefore had no political or strategic aim other than the restoration of an "independent" Austria, is flawed. In the following discussion two linked arguments about Soviet policy are advanced. Firstly, that there was an irreducible core to Soviet policy which aimed at utilizing Austria's economic resources for Soviet reconstruction, largely regardless of any damage this might cause her economy. Secondly, that the Soviet Union increased these economic demands as its political failure in Austria and the western orientation of the Austrian government became increasingly evident. The more it appeared that the United States was prepared to support Austria, both politically and financially, the less reason the Soviet Union had to modify its economic claims. The more evident it was that the Austrian Communists had little chance of gaining power in Austria the less reason the Soviets had to concern themselves about Austrian sensibilities. Even so, a more pro-Soviet Austrian government would probably not have caused the Soviet Union to reduce its claims significantly.

³ (continued)
um den Österreichischen Staatsvertrag 1945-1955', unpublished Phd., Vienna Univ., 1976; Stourzh, Geschichte, pp.34-40,62-3; see also Rauchensteiner, Sonderfall, pp.174-5.

⁴ Klambauer, 'Die USIA Betriebe', passim; Aichinger, p.272.

"[The] Russians remember that Austrians fought at Stalingrad. They can in all honesty see no reason why Austrian standard of living should exceed [that of the] Soviet Union with Allied help." This judgement by the American political advisor, Erhardt, aptly sums up the Soviet position.⁵ The consequent Soviet determination to remove a large amount of heavy industry and raw materials from Austria was clear from the outset. It was firmly anchored in the Moscow Declaration, which had laid down Austria's responsibility for "participation in the war on the side of Hitlerite Germany." The argument that the original British draft of the declaration also contained a reference to Austrian "responsibility" does not undermine the central point that the Soviet Union sought to link the formulation of that responsibility far more closely to Austria's participation in the war.⁶ There was an obvious connection between the Soviet attitude at Moscow in 1943 and their position in London early in 1945. The Soviet representative on the EAC, Gousev, insisted early in 1945 that the Austrian Control Machinery - like the German - should include a Reparations element.⁷ On 4 April he pressed for agreement of the principle that Austria should pay reparations and raised the question of "what treatment was to be accorded to the German industry built up since the outbreak of war and to German property both state and private in Austria." He declared that "Austria had been part of Germany for the last seven years...There

⁵Erhardt to Acheson, 26 February 1946, FRUS 1946, V, p.309.

⁶See Stourzh, Geschichte, p.174, n.6 and the eyewitness account of the Moscow discussions by Philip Mosely, ('The Treaty with Austria', International Organisation, 4, 1950, pp.219-235, here 227-8). Wagnleitner ('Wiedererrichtung', p.25ff) fails to see this point.

⁷Meeting of the Economic and Industrial Planning Staff [EIPS] 8 February 1945, PRO, FO 942/128. The title was "Reparations, Deliveries and Restitution Division."

was no doubt in the mind of the Soviet delegation that Austria must pay reparation, and they were not prepared to leave this question open."⁸ Marshal Tolbuchin was as blunt in Vienna as Gousev had been in London. He told Austrian ministers:

Das Gesetz des Krieges ist: Wer die Beute macht, der nützt auch diese Beute aus. Wir entscheiden nicht die Fragen für unsere Regierung. Sobald aber hier die reichsdeutsche militärische Industrie erbeutet wurde, hielten wir es für notwendig, diese reichsdeutsche militärische Industrie wegzuführen. Sie wissen alle, meine Herren, dass die Sowjetische Union [sic] ihre ganze Industrie bis an die Wolga verloren hat und besonders die Schwerindustrie. Ein Teil dieser Industrie wurde aus der Luft zerstört und durch die Artillerie. Der grösste Teil dieser Industrie wurde aber weggeführt nach Deutschland und Österreich....Wir führen die Ausrüstung, die den Deutschen gehörte, aus, die andere, die Leichtindustrie, die das Volk braucht, die Lebensmittelindustrie, die städtischen Versorgungsbetriebe, jedenfalls die ganze Industrie, die den Bedürfnissen des Volkes dient, die den Deutschen nicht angehörte, haben wir nicht beansprucht und werden wir auch nicht beanspruchen. ...Ich bin der Meinung, dass wir die Interessen des Österr.[eichischen] Volkes nicht verletzen. Ich bitte Sie aber darum auch zu verstehen, dass wir unsere Industrie auf Kosten der Deutschen wiederherstellen müssen. Wir sind bereit, alle konkreten Fragen über diese Werke zu besprechen, sofern es in diesen Werken Österr[eichische] Investitionen gegeben hat.⁹

What of the West? The "revisionist" argument that Soviet and western claims were in some sense symmetrical and that the conflict between them brought the Cold War to Austria is unconvincing. It involves the same anachronistic projecting-back of Austrian neutrality as has already been noted in another context. The details of western claims themselves will be discussed in the

⁸EAC Meeting, 4 April 1945, PRO, FO 942/128.

⁹Meeting between Tolbuchin and members of the Austrian government, 12 May 1945, annexed to AVA, KRP 8, 22 May 1945; see also Aichinger, pp.252-3.

context of the Treaty discussions of 1947.¹⁰ It is enough here to make the point that Soviet claims on Austria were, from the outset, both quantitatively and qualitatively, of a vastly different order than those put forward by the West. Direct British assets to the tune of 18 million pounds were not significant in global terms.¹¹ Neither was Austrian oil in any sense a vital British interest. 1.2 million tons of crude oil (in 1944) was a mere drop in the barrel and oil assets worth some 10 million pounds were hardly enough to make Austria the pivot of Britain's central Europe policy.¹² The interpretation of the Cold War in Austria which is based on the misapprehension that they were, is correspondingly flawed. Far from western economic interests bringing the Cold War to Austria it was the increasing international polarisation which steadily shifted western governments towards a position of support for the Austrian position, regardless of their own economic claims.¹³

When the Soviet claims were first advanced, both Americans and British opposed them. They had no desire to repeat the mistakes made after the First World War

¹⁰ See below, pp.100-7.

¹¹ Estimate by the Trading with the Enemy Department, 31 December 1945, PRO, FO 371/53016/UE1020.

¹² Elias (Ministry of Fuel and Power) to Leitch, 21 August 1947, PRO, FO 371/64006/C11369. Wagnleitner ('Wiedererrichtung', p.194 ff.) conflates Middle Eastern oil, which clearly was regarded by the British as a "vital interest" but on which the occupation of Austria had no bearing, and Austrian oil which was of negligible importance to the British. The minutes of the cabinet oil committee (PRO, CAB 134/217/588) confirm the insignificance of Austrian oil in relation to British global energy and strategic concerns. For details see Appendix Two.

¹³ For a general discussion of the economic and strategic motives in American policy-making see Gaddis, 'Emerging Post-Revisionist Synthesis', p.175.

when reparations demands had been quickly succeeded by relief provision. The Americans, with their enormously enhanced economic power, had least to gain and most to lose by imposing any burden on Austria. The British too, although less categorically, concluded that Austria should not pay reparations out of current production. Only "once-for-all deliveries of plant, equipment, or stocks" and some forced labour of Austrian Nazis "on a purely punitive basis" might be considered.¹⁴ This line was reaffirmed against Gousev's proposal in the EAC since "we did not believe that if our plan to establish a free and independent Austria was to have a real chance of success, Austria could pay reparation. If the Russians felt that Austria could and should pay reparation it was up to them to make out a case."¹⁵

Nevertheless both British and Americans did move some way towards the Soviet position in order to maintain Allied unity. By April 1945, as the Red Army approached Vienna, their bargaining position was weaker. Now Strang told Gousev that "the aim of establishing a free and independent Austria might be irreconcilable with the payment of reparation" but conceded that "there had been large industrial developments in Austria since its annexation and that the treatment of such industry ought certainly be considered." Britain and, more reluctantly, the United States modified their position and in the end agreed to the inclusion of a Reparations element in the Allied Commission.¹⁶

Even so they still hoped to delay or mitigate the concrete effect of this concession. Before the Moscow

¹⁴ Report of the Interdepartmental Committee on the Future of Austria', APW (44) 93, 22 September 1944, PRO, CAB 87/68.

¹⁵ EIPS Meeting, 8 February 1945, PRO, FO 942/128.

¹⁶ EAC Meetings, 4 April 1945, 23, 26 June, 2 July 1945, PRO, FO 942/128/129.

Reparations Commission met to discuss German reparations. British officials had decided to "firmly resist" the Soviet view that "German assets in Austria are a suitable subject of German reparation" because "so large a proportion of Austrian assets are German-owned."

Since the Anschluss the Germans have made enormous acquisitions in Austria and if the principle were admitted there would be little Austrian left.¹⁷

The British representative at the Moscow discussions, Monkton, was instructed accordingly. As far as German investment was concerned "Austria must be regarded as a special case."¹⁸

In the event, the Moscow Reparations Commission became bogged down in the discussions on German reparations without getting round to discussing Austria although the head of the American delegation, Pauley, did make clear his opposition to exacting any Austrian reparations. At the end of July discussions were transferred from Moscow to the Potsdam conference with the issue undiscussed and unresolved.¹⁹

2. The Potsdam Decision

¹⁷ Ministerial Committee on Reparations, RM(45) 1st Meeting, 3 May 1945; Report RM (45)4, 18 May 1945, redraft CP (45)16, PRO, CAB 98/59.

¹⁸ Annex to instructions to UK Delegation, RM(45)4, CP(45)16, 5 June 1945, PRO, CAB 98/59. Klambauer's view ('Die Frage', p. 153) that "Alle vier Vertreter hatten...keine grundsätzlichen Vorbehalte gegen Reparationen aus Österreich, sondern diskutierten lediglich die Art ihrer Verwaltung" clearly understates the importance of the difference between western and Soviet views even at this stage.

¹⁹ Monkton to FO, 20 June 1945, PRO, FO 371/45781/UE2739. Klambauer's suggestion ('Die Frage', p. 155) that there was "einebemerkenswerte Revision des amerikanischen Standpunktes" shortly before Potsdam does not seem to be supported by the evidence he produces.

On the final day of the Potsdam Conference the decision was made to allocate "German external assets" situated in western Europe to the western Allies and those in eastern Europe to the Soviet Union. The dividing line ran directly through Austria. This decision was to be a bone of contention for diplomats in the following ten years and historians thereafter.²⁰ The decision has generally been seen both as an instance of Soviet cunning in its plan to take over Austria and as a western blunder which gratuitously helped them to do so.²¹ In recent Austrian historiography this picture has been redrawn in two ways. Firstly, the western position at Potsdam has been viewed less as a blunder than as a logical reflection of deliberate policy. Secondly, it has been argued that the Potsdam decision was a "horse-deal" in which the pound of Austrian flesh was carved up between the two sides. The following account largely accepts the "traditional" thesis that there was a mistake by the West at Potsdam but puts a slightly different gloss on the decision.

The British and Americans went to Potsdam clearly determined that Austria should not pay reparations out of current production, even if the British did not exclude once-for-all deliveries of capital goods built up for the needs of the German war economy.²² The Soviet delegation, on the other hand, continued to argue the case which Tolbuchin had expressed so trenchantly to Renner. On 27 July Molotov maintained the position that Austria should pay 250 million dollars in kind over a period of six years. He stated that "Soviet territory

²⁰Text of Section III (on German reparations) of the Protocol of the Potsdam Conference in FRUS: The Conference of Berlin (Potsdam), II, pp.1485-7.

²¹Bader, p.38, Stanley, p. 391

²²British draft report, 21 July 1945, FRUS Potsdam, II, doc. 765.

had been invaded by Austrian forces, who had done substantial damage. It was wrong that Austrians should escape punishment."²³ The following day, however, Stalin renounced Austrian reparations, declaring that Austria had not had "her own armed forces".²⁴ The British Treasury expert, Waley, hailed the decision as a "satisfactory achievement" but went on to warn that

we are still faced with the problem of putting an end to removals by Russia of Austrian plant and equipment...If all German-owned assets in Austria were to be treated as available to meet Germany's reparation debt, a large part of Austria's plant and equipment would be removed...Unless these removals come to an end our successful contest to get Austria off paying reparations will have been an empty victory.²⁵

At the British staff meeting the following day Waley said that "it would be desirable that the Conference should further agree that the removal of plant and equipment and other goods from Austria, as war booty or otherwise, should in future be a matter to be settled by the Control Council." It was agreed that "this further suggestion might be raised at the meeting of Foreign Secretaries, but that it should not be pressed if it seemed likely to endanger the main decision, already reached, that no reparations should be exacted from Austria."²⁶ Insofar as Russian removals from Austria were considered at the end of Potsdam therefore, it was, as Waley's note had indicated, under the heading of war

²³F(Terminal), 9th Meeting, 27 July 1945, Rohan Butler and M.E.Pelly (eds.), Documents on British Policy Overseas, London 1984, [DBPO], I, doc. 431; also FRUS Potsdam, II, p.433.

²⁴10th Plenary meeting, 28 July 1945, FRUS Potsdam, II, p. 464; see also British Record, DBPO, I, doc. 447.

²⁵Waley memorandum, 29 July 1945, PRO, FO 371/45906/UE3373.

²⁶UK Delegation, 2nd Staff Meeting, 30 July 1945, DBPO, doc. 462.

booty. The British delegation circulated a note calling for the Allied Council in Vienna to discuss the question but it was still unresolved when the economic sub-committee and the whole Conference broke up.²⁷ The British, at any rate, evidently considered that Stalin's renunciation had indeed been "the main decision."

The evidence also suggests that western delegations did not make any connection between German external assets, now raised in the context of German reparations, and German-owned property in Austria. Klambauer has shown that German assets in Austria were only one aspect of the much larger question of German external assets, which had been under discussion in the West for some time.²⁸ However he fails to make the crucial point that these discussions had been concerned with assets in Sweden, Switzerland, South America and other neutral countries. Austria was not a neutral and German assets in Austria had not been discussed in this context.

At Potsdam the first official proposal on the subject was made by US Secretary of State, James Byrnes, who proposed on 30 July that German external assets be taken over by the victorious allies.²⁹ The following day this proposal became caught up in the bargaining over German reparations between Byrnes and the Soviets. The most detailed accounts of the conversation come from the

²⁷The note stated that further removals of capital equipment as war booty should be dealt with by the Allied Commission in Vienna, 30 July 1945, FRUS Potsdam, II, doc.770. The comment of the American economic expert (?Pauley) at Potsdam, cited by Charles Thayer (Diplomat, London 1960, p.101) that "We seem to have overlooked that point in our hurry to wind up and go home" evidently refers to this unresolved question rather than, as Thayer argues, the German assets discussions.

²⁸Klambauer, 'Die Frage', pp. 128-132.

²⁹FRUS Potsdam, II, doc. 1000.

State Department officials Benjamin Cohen and Llewellyn Thompson. Both agree that Stalin introduced Austria into the discussion. Since it hardly seems likely that he had suddenly changed his view of Austria's role in the war between 27 and 28 July this suggests that Stalin saw the western proposals on German external assets, which had been known long before, as a chance for the Soviet Union to reach the same goal by a less contentious route. As far as the West is concerned the two accounts differ slightly.³⁰ According to Cohen, Bevin did not wish to concede assets in eastern Austria to the Soviet Union while Thompson states that he did.³¹ Whichever version is preferred - and Cohen's seems more plausible - both suggest that the Bevin's chief concern was for British holdings in German companies in Eastern Europe as a whole.³²

This does not mean that Bevin either deliberately sacrificed British interests in eastern Austria or Austria's own economic interest as part of a deal.

³⁰ See also Harry Truman, Year of Decisions 1945, London 1955, vol. I, p. 337.

³¹ 12th Plenary, 1 August 1945, FRUS Potsdam, II, pp. 566-579; Cohen notes: BEVIN: Greece belongs to the British.

STALIN: Austria is divided into parts - how shall we deal with those?

BEVIN: You better give it to us.

STALIN: You want all of Austria? You can have part of Austria and Yugoslavia.

Thompson's minutes: MR BEVIN asked if German investments in other countries would be theirs. MR STALIN replied that they would and mentioned France, Belgium and America as examples.

MR BEVIN said he agreed and asked if Greece would belong to Britain.

MR STALIN said that the only questions related to Austria and Yugoslavia. Austria was divided into three zones. Yugoslavia was partly in the Russian zone. What should they do with investment there.

MR BEVIN suggested that they be given to them.

MR STALIN asked if he wanted Austria too.

MR BEVIN replied that he did not [sic]

MR STALIN suggested that the Allies take Yugoslavia and Austria would be divided into zones...

MR STALIN said he considered Finland to be in [the

Neither is there any evidence that British indirect interests in eastern Austria were even considered by the British delegation, much less regarded as important. If they had been, Bevin would presumably have fought harder to have eastern Austria assigned to the West. In fact the decision resulted in precisely those allegedly crucial interests - such as oil in eastern Austria - being either lost or at least endangered. That this most important decision fails to fit into a "revisionist" interpretative framework, based on the central importance of economic interests, must surely call it into question.³³ As for the effect of the Potsdam decision on the Austrian economy, neither Bevin nor Byrnes showed any awareness that the decision had far-reaching implications. It appears that the specific warnings given before Potsdam were indeed lost sight of by western negotiators³⁴ although there was no explicit trade-off to justify the judgement that the West was "indifferent in principle" towards Soviet seizures of German assets in eastern Austria.³⁵

³¹(continued)

Soviet] zone. Yugoslavia was not but the eastern part of Austria was in their zone.

MR. BEVIN added that he assumed it was clear that assets owned by British and Americans in those areas would not be touched.

MR STALIN replied of course they would not and said that they had not been at war with Great Britain.

MR BEVIN pointed out that these assets might have been taken over by the Germans.

MR STALIN replied that in such cases it would be necessary to decide the matter on the merits of each case.

³²This view is reinforced by Byrnes' intervention in the final session on the evening of 1 August, when he asked for the words "in respect of reparations" to be inserted in paragraphs 8 and 9 of the protocol "otherwise it might be thought that three Governments waived all claims of any description to shares in German enterprises", DBPO, doc. 526.; see also FRUS Potsdam, II, p. 587.

³³Wagnleitner ('Wiedererrichtung', p.213) conjectures that it was "äusserst unwahrscheinlich, dass die Zustimmung der britischen Delegation zu einer derart wesentlichen ökonomischen Entwicklung nebenbei oder
(Footnote continued)

support as a counter-weight. On 5 September 1945
report To this extent the traditional accounts of the
Potsdam decision seem justified. Nevertheless the view
that the decision was a fatal western blunder or Soviet
trick, which brought the Soviet takeover of Austria
nearer, surely involves an ex post facto judgement made
from the perspective of the later Cold War and the long
Treaty negotiations. At Potsdam the facade of Allied
consensus - crumbling though it was - still existed, and
western governments were still ready to make some
concessions to the Soviet Union in order to maintain it.
By providing the Soviet Union with a legal basis for its
claims, the Potsdam decision may well have encouraged it
to give freer rein to them. Yet even a more precisely
defined agreement would have meant the loss of a large
proportion of Austria's heavy industry. In 1945 the West
was still prepared to accommodate the Soviet demands to
a greater extent than any Austrian government would have
found acceptable.

For the Austrians the Potsdam decision was
unacceptable from the start. They were confronted by a
stark choice, however: either to mitigate Soviet claims
by co-operating, or to oppose them by invoking western

³³ (continued)

gar unachtsam erteilt wurde, waren es doch gerade die
britischen Experten, die diesem Problem die grösste
Aufmerksamkeit gewidmet hatten" but fails to explain
the contradiction between this argument and the
Potsdam decision.

³⁴ Bevin's reported comments to the Austrian Socialist
and diplomat Walter Wodak early in 1947 (Wagnleitner,
Diplomatie, doc.284) that "Man habe ihm am ersten
Abend nach seiner Ankunft in Potsdam die Bestimmungen
über deutsches Eigentum in Österreich vorgelegt und
trotz seines Einspruches keine Präzisierung desselben
gemacht; daraus sei die ganze Schwierigkeit
entstanden" glosses over the fact that the precision
Bevin sought was probably in respect to British
interests in German assets throughout eastern Europe
in general not in Austria in particular.

³⁵ As argued by Rauchensteiner, Sonderfall, p. 139.

support as a counter-weight. On 5 September Renner reported a discussion with the Soviet Political representative, Kissilev in which fundamental differences about the fate of German investment had emerged. Kissilev had refused to allow the government to nationalise German property. His attitude was not much harsher than Tolbuchin's had been. The difference was that he could now invoke the Potsdam decision to cover Soviet removals:

Die Sowjetunion müsse auf Reparationen für alle Verluste, die sie erlitten habe, bestehen, und er sei überzeugt, dass alle Reparationen, die man ihr bieten wolle und könne, diese Verluste nicht gutmachen könne. Russland habe das Recht, an sich zu nehmen, was ihm die Potsdamer Beschlüsse zuerkennen.

In reply Renner argued that "Deutschland hat von unseren Reichtümern vieles an sich gerissen, das nunmehr deutsches Eigentum ist, ohne das wir jedoch in Österreich bei der eigentümlichen Lage unseres Landes nicht leben können." He vowed to "fight against" the Potsdam decision:

das, was altösterreichisch war, [ist] hinter deutschen Investitionen zum grossen Teil verschwunden...Es genügt uns nicht, das zu besitzen, was als altösterreich nachweisbar ist. Wir müssen ein gewisses Mass von Industrien besitzen, um leben zu können, denn wir müssen exportieren, um zu leben. Wir müssen ein Drittel unseres Nahrungsbedarfs aus dem Auslande beziehen und können es nur kaufen. Aus diesem Grunde werden wir im Kabinett das beschliessen, was wir als für die Existenz unseres Landes notwendig halten, auch wenn dies irgend einer Interpretation der Beschlüsse der Potsdamer...Konferenz widerspricht.

Renner went on to complain bitterly that "Wir empfinden diesen Ausdruck "befreites Land" als eine den Tatsachen und unserer Behandlung nicht mehr ganz entsprechende Bezeichnung." As Kissilev aptly observed, "Wir sprechen beide von einer verschiedenen Plattform aus, es wird also unfruchtbar sein, weiter zu diskutieren."³⁶

³⁶AVA, KRP 29, 5 September 1945.

The Soviet authorities refused to let the Austrians nationalise oil and other German assets. Instead they offered them the chance of jointly running the oil industry. At the end of August they had proposed establishing a company ("Sanaphta") based on 50:50 Austro-Soviet participation to exploit the largest oil field of Zistersdorf. This was coupled with the prospect of a bilateral trade treaty.³⁷ From the start several members of the Austrian government had grave doubts about the proposal. Renner himself appears to have wavered. Initially he inclined towards signing it. As he explained to his colleagues:

Nach der Auffassung der Russen...hat Russland das Recht, diese Petroleumvorkommen einfach wegzunehmen. Wenn nun Russland uns anstelle dessen einen Vertrag anbietet, durch den wir 50 zu 50 an der Ausbeutung mitwirken, so erkenne ich ganz offen an, dass das für Österreich in Anbetracht der schwierigen Umstände eine günstige Lösung ist wiewohl...Österreich ...alles was da deutsch war, als Staatseigentum erklären will.

Renner added that a 50% Austrian participation might also be a "gutes Vorbild" for dealings with Anglo-American oil companies. Nevertheless both he and Raab expressed doubts about infringing the rights of western interests and going beyond the powers of a provisional government and the leader of the Austrian Socialists, Adolf Schärf, was even more strongly opposed. All this was well before any western intervention.³⁸ The Americans apparently intervened first on 8 September and again five days later when the

³⁷Details in Aichinger, pp. 271-314; Bader, 110 ff; Rauchensteiner, Sonderfall, p.115.

³⁸AVA, KRP 29, 5 September 1945; however, the leader of the Austrian Communists, Ernst Fischer, (Das Ende der Illusionen: Erinnerungen, Vienna-Munich-Zurich 1973, p.82) overstated Renner's enthusiasm for the treaty; see also Rauchensteiner, Sonderfall, pp.175-6.

American Political Adviser, Erhardt, told the Austrian official, Kleinwächter, that signature of the oil Treaty would mean the British would continue to refuse to recognize the Renner government. The British documents do not shed any light on the origin of this statement³⁹ but it seems unlikely to have been more than a bluff. There is no evidence of any direct intervention by the British, who were still pursuing their vain policy of boycotting Renner. In spite of McCreery's wishes for a démarche in Moscow the Foreign Office did no more than authorise a protest letter to the Soviet Deputy Commander-in-Chief.⁴⁰

By now the Austrian cabinet had moved firmly against signing the oil agreement. When it met on 12 September, it was clear that there was now a substantial majority against it. Fischer urged acceptance and attacked the "Eingreifen ausländischer Kapitalisten" for the suspension of the talks but Schärf rejected these charges. He emphasised that the Socialists had been opposed to the treaty from the beginning unless it was to be made clear that it was a provisional decision.⁴¹ Shortly afterwards the oil talks and the related discussions about an Austro-Soviet trade treaty were suspended. The evidence does not therefore support the

³⁹ Karl Stadler, Adolf Schärf - Mensch Staatsmann Politiker, Vienna-Munich-Zurich, 1982, p. 229; Alfons Schilcher (ed.) Österreich und die Grossmächte: Dokumente zur Österreichischen Aussenpolitik, 1945-1955, Vienna-Salzburg, 1980, doc.23.

⁴⁰ Vienna to WO, 4 September 1945, WO to Vienna, FO 371/46665/C5451/C5505; Winterton to Zheltov, 13 September 1945, Zheltov to Winterton, 26 September 1945; a collection of this and further exchanges in Berthoud's memorandum of 5 October 1945, PRO, FO 371/46667/C7511. See also Wagnleitner ('Wiedererrichtung', p.241,n.159)

⁴¹ AVA, KRP 30, 12 September 1945; see also Adolf Schärf, Österreichs Erneuerung 1945 - 1955, Vienna 1955, p.25; Stadler, Schärf, pp.288-9.

view that western intervention caused them to collapse or justify the conclusion that "die amerikanische Drohung....hatte Erfolg gehabt, und Renner hatte wider besseres Wissen....den Vertrag nicht unterschrieben."⁴²

The disadvantage of this decision for the Austrian government soon became clear. The Soviet authorities were both able and ready to act unilaterally in their zone. In October they moved to consolidate their position in the oil fields and vetoed an Austrian proposal for bartering oil for Czech coal. Renner saw his fears confirmed:

die Russen verfügen de facto über das Zistersdorfer Öl und es besteht gar keine Möglichkeit, dass die [West] -Alliierten sie aus dieser Position herauszuziehen zwingen. Die Folge wird nur die sein, dass die Russen souverän darüber verfügen und wir gar keinen Einfluss haben. Wir werden darüber nachdenken müssen, ob wir nicht doch in irgendeiner Form uns einschalten können, dass wir wenigstens, wie das im Vertrag vorgesehen war, unter gewissen Kautelen, eine 50%ige Beteiligung erlangen. Vielleicht werden wir auch in dieser Frage die Initiative ergreifen, denn der jetzige Zustand ist unwürdig und unerträglich.⁴³

Six days later the Trade minister (and later Chancellor) Julius Raab gave further details of the Russian take-overs. German firms had been taken over directly while Anglo-American firms had been placed under the supervision of a control officer:

Durch die Massnahmen ist praktisch die gesamte Erdölproduktion nicht bloss unter die militärische, sondern auch unter die wirtschaftliche Patronisierung der Sowjetunion gekommen, sodass auch die Zuteilung an Erdöl und Erdölproduktion für den österreichischen Verbrauch in sowjetische Abhängigkeit gekommen ist.

Renner concluded that "der Zustand ist jetzt viel schlechter, als es früher war, und es ist gar nicht

⁴²Aichinger, pp. 311-2.

⁴³AVA, KRP 34, 12 October 1945.

abzusehen, wie wir aus der Sache herauskommen können." Yet he rejected Fischer's suggestion of an initiative to re-open negotiations. Karl Gruber, now Under-Secretary of State for Foreign Affairs and soon to become Foreign Minister, suggested waiting until the government was recognised and then going to the Allied Council.⁴⁴

Although the oil project may not have been intended as a step towards taking Austria over, as many earlier accounts assumed,⁴⁵ it was surely more than a purely commercial proposal. Institutionalised Austro-Soviet control of the key resource of oil would have had major political implications. At the very least the Soviet proposal must be seen as an attempt to strengthen its bargaining position before the Austrian government was recognised by the Allied Council, at a time when the strength of Austrian anti-communism had not yet been made clear. The Austrian rejection of the offer, therefore, was undoubtedly an important turning-point in invoking the support of the West as a counter-weight to the Soviet Union. The decision was based on a broad majority within the Austrian government and was implicitly confirmed both by Provincial Conference at the end of September and by the electorate two months later.

3. Potsdam, Austria and the West

How much support would the West give the Austrians? The answer depended as much on the wider changes in the post-war world as events in Austria. Broadly speaking, the months following Potsdam saw a twin process - the public break-down of the

⁴⁴AVA, KRP 35, 18 October 1945.

⁴⁵Schärf, Erneuerung, p. 25 ff; Stearman, p.27; Bader, p. 104 ff.

collaborative framework promised by the rhetoric of Yalta and Potsdam and the emergence of the divisive consequences of the economic decisions actually taken there. This was most conspicuous in the failure of the Council of Foreign Ministers to make progress on the Peace Treaties and in the failure to treat Germany as a single economic unit.⁴⁶ The discussions on German assets in Austria over the months after Potsdam were, in a sense, one example of this process. The difference was that, in the case of Austria no solution seemed at hand which did not require collaboration with the Soviet Union. Eastern Europe might be - tacitly or openly - written off, Germany might be "solved" by concentrating on the western zones but for Austria neither course was possible.

Officials in London were well aware that the Potsdam decision represented a shift in policy on German assets. Waley noted, perhaps in self-reproach, that it was "a very great pity that we have simply renounced German-owned assets in Eastern Austria."⁴⁷ John Dent, of the Economic Relations Department, commented resignedly, that "there is not much to be done about German assets in Eastern Austria because a) the Russians have probably removed them anyway b) they will certainly claim that the relinquishment by the US-UK governments to all claims to German assets in Eastern Austria implies that they were regarded as German and not Austrian assets for the purposes of reparation."⁴⁸ Even when the scope of Russian removals from Styria and eastern Austria began to emerge in August, neither the British nor the Americans were ready to make a big fuss. When the Head

⁴⁶ See i.a. Gaddis, Strategies of Containment: Post-War American National Security policy, New York 1982, p.25ff; Wilfried Loth, Die Geteilte Welt, Munich 1980, p.99ff.

⁴⁷ Waley, 2 August 1945, DBPO, doc. 600.

⁴⁸ Dent, 11 August 1945, PRO, FO 371/45806/UE3373.

of the Economic Division of the British Element, Eric Berthoud, reported widespread Russian removals of oil equipment there was little inclination to protest - even though British interests appeared to be involved.⁴⁹ Nor did further Russian seizures of oil fields in October and the drying up of oil deliveries produce one. Cullis thought the position "monstrous" and even the cautious Troutbeck was inclined to favour an official protest but the economic experts were opposed to any démarche before the wider question of Soviet removals from eastern Europe had been clarified. McCreery was told to take up the question in the Allied Council first. When he did so he was told by the Soviet Commander-in-Chief, Konev, that since the matter had been decided in Potsdam it could not be discussed in Vienna.⁵⁰ On 16 November it was agreed in the Foreign Office that "it would be impracticable to suggest that the Russians should not control an important strategic industry in their zone, but every effort should be made to ensure that any production surplus to the requirements of the Russian forces of occupation and the industry of the Russian zone should be made available for the whole of Austria and that the present dislocation caused by the current refining programme should be remedied."⁵¹

Rather than protesting at Soviet action, officials began to try to work out a settlement of the whole complex of western shares in German assets throughout eastern Europe, of which Austria was seen as one - albeit especially complicated - aspect. After some

⁴⁹ Berthoud to WO, 8 August 1945, Cullis, O'Neill, 11 August 1945, PRO, FO 371/46665/C4635.

⁵⁰ McCreery, Vienna, to WO, 20 October 1945, Cullis, 25 October, Troutbeck, 26 October, Troutbeck to Street, 3 November 1945, PRO, FO 371/46667/C7290; exchange of notes, PRO, FO 371/46668/C7511; Minutes of the Allied Council [ALCO/M] (45)7, 30 October 1945.

⁵¹ Economic Working Party, 2nd Meeting, 16 November 1945, PRO, FO 371/46670/C8769.

discussion Dent drafted a proposal based on a softly-softly approach:

This matter is becoming a cause of serious irritation and it is scarcely an exaggeration to say that until some solution can be found it will continue to impose a strain upon Anglo-Soviet relations really out of all proportion to the importance of British interests involved...We are not proposing a concerted attack on the Soviet Government. This might in fact defeat its aim and own ends, as it....will our endeavour to convince the Soviet Government that we are not trying to put something across them, but are only trying to find a fair solution to a conflict of interests which can only embitter the relations of the two countries if it is allowed to continue.⁵²

Dent attempted to work out three possible solutions based on the accommodation of Soviet claims.⁵³

These discussions concentrated on the complex problem of indirect shareholding but they did not resolve two complex issues central to the Austrian case mentioned at the start of this chapter - post-Anschluss capital creations and unfair transfers.

Austria had been integrated into the Germany economy to a far greater extent and over a longer period than elsewhere. Unlike the rest of eastern Europe, where the British were concerned to finding a solution within the framework of Potsdam, in the case of Austria they soon began to try, implicitly, to move away from it. One of

⁵²Dent, 15 November 1945, PRO, FO 371/45814/UE6123.

⁵³The three alternative suggested were: firstly, to let the Russians have "that proportion of the German company's shareholding in the subsidiary company which the German-owned share-holding in the parent concern bears to the non-German shareholding": secondly, to suggest to the Russians that they take over "an appropriate proportion of German-owned shares in any German company [i.e. including those based in the West] with interests in Eastern Europe": thirdly, to accept a Russian offer, if made, to buy out British shares in companies situated in Eastern Europe. EIPS/285 (Redraft) 7 January 1946, PRO, FO 371/53110/UE103.

the first steps was the tacit western renunciation of German assets in western Austria. After some discussion these were excluded from the Paris Conference on "western reparations" convened in November and, in general, continued to be excluded from later discussions in the Inter-Allied Reparations Agency at Brussels and in the Control Commission in Berlin.⁵⁴ When Austria did come up in these discussions she fitted awkwardly. The West wished a free hand over assets in the western hemisphere in general but they did not wish to give the Soviet a free hand in eastern Austria. As Playfair noted "every time we thought of some sweeping phrase giving us and the Russians respectively powers to do whatever we liked without interference in our own part of the world, Eastern Austria stuck up like a sore thumb."⁵⁵

By early 1946 the British and the Americans (if not the French) were well down the road which finally led in April 1949 to their formal renunciation of German assets in western Austria. Persuading the Russians to discuss and, by implication, reduce their claims in eastern Austria was an altogether more tricky proposition. Early in November a British official from Vienna, Jarvis squarely raised the issue of the effect of Russian removals on Austria's future economic prosperity and suggested appealing to the spirit of the Moscow Declaration to mitigate the effects of Potsdam. Dent and Coulson (Economic Relations Department) agreed in principle but doubted if the Russians would agree. As Dent noted, the Allies were "committed to a policy on reparations which, however much we wish to wriggle out of it, is inescapably contrary to our Austrian policy

⁵⁴ Playfair to Dent, 16 October 1945, PRO, FO 371/45934/UE4902; Interdepartmental Finance and Property Working Party, FWP(45)P21, 25 October 1945, PRO, FO 371/46608/C7563; Playfair to Dent, 9 November 1945, PRO, FO 371/45795/UE5541.

⁵⁵ Playfair (COGA) to Waley (Berlin), 7 February 1946, PRO, FO 371/53112/UE576.

and we should therefore consider how to get out of it."⁵⁶

Initially both British and Americans tried to set up a quadripartite framework within which to find an agreed solution. The State Department took the initiative at the end of November by proposing the setting up of a board "for establishing German Foreign Assets in Austria appropriate for Reparations within the Allied Commission." The board was to take a census of all physical property where there was a majority German interest. The Americans pushed their proposal in Vienna and at the tripartite meeting of Foreign Ministers in Moscow at the end of the year but the results were meagre.⁵⁷ Molotov merely agreed to the discussion of cases where ownership was unclear or where it was distributed between more than one occupation zone. This did not go much further than the assurance Stalin had given Bevin at Potsdam, as the subsequent discussions in Vienna made clear.⁵⁸ The attempt to stretch Molotov's definition to include the Danube Steamship Shipping Company (DDSG), after the Soviet authorities took over its offices at the start of February, was no more successful.⁵⁹

⁵⁶ Jarvis, 3 November, Coulson, Dent, 5 November 1945, PRO, FO 371/45814/UE5454.

⁵⁷ Erhardt to Byrnes, 24 November, Byrnes to Winant, 29 November 1945, FRUS 1945, III, pp. 659, 668-73; EXCO/M(45)22, 22 December 1945; Acheson to Erhardt, 5 January 1946, FRUS 1946, V, pp.289-91.

⁵⁸ Meeting in State Department, 2 January 1946, FRUS 1946, V, p.283; by the start of February the Russians had finally got round to agreeing to discuss these cases in the RDR division. The first case, that of the Socony Vacuum Company, which had a 50% shareholding in RohölAktiengesellschaft (RAG) was raised on 13 February, PRO, FO 942/357.

⁵⁹ Byrnes to Erhardt, 1 February 1946, FRUS 1946, V, pp.300-1; Vienna to WO, 6 February 1946, PRO, FO 942/359; Klambauer, p.119 ff; for details of DDSG shareholding see CFM/ATC(47)59, 8 August 1947, PRO, FO 371/64907/C1101.

British officials were pursuing a slightly different line and regarded the American initiative sceptically. Bevin was advised to avoid the German assets question at the Moscow Foreign Ministers Conference since "this is a very complex subject." Dent thought the idea of a Review Board was "undesirable" since "we shall get nowhere if we begin by putting the Russians in the wrong and trying to restore everything removed." As for the Danube Shipping Company, Henry Gregory (Trading with the Enemy Department) thought it "would raise almost every sort of problem." The failure of the American approach early in February was seen as confirmation of these doubts and of the need to avoid a "post mortem on assets already removed." The British alternative was a series of steps starting with a Four Power declaration that there should be no further removals "unless it can be proved that the property is clearly a German asset, and its removal will not be detrimental to the Austrian economy."⁶⁰

Over the following months British and American officials sought to find a common line.⁶¹ The details of these exchanges are less important than the fact that both were based on the attempt to establish a collaborative framework within which Soviet claims and the needs of the Austrian economy could be reconciled.

East-West relations were travelling in the opposite direction, however. The pretence that the victorious Allies were working together or that the West had any

⁶⁰EIPS Meeting, 14 December 1945, PRO, FO 371/45814/UE6403; Brief for Secretary of State, 8 December 1945, PRO, FO 800/446; Dent 19 January 1946, PRO, FO 371/53110/UE392; EIPS Meeting, 21 January 1946, PRO, FO 371/53110/UE395; Gregory to Robb, 13 February 1946; Meeting in FO, 21 February 1946, PRO, FO 371/53112/UE663.

⁶¹For a summary of these exchanges see Robb memorandum, 12 April 1946, PRO, FO 371/53114/UE 1719.

say in what was happening in eastern Europe was becoming hard to sustain in the eyes of the western public. Although systematic conclusions had not yet been drawn, there had always been those in the West ready to argue the Realpolitik case that the Soviet sphere in the East, whether good or bad, should be accepted. Bevin himself had told Forrestal at Potsdam that "he didn't think the Balkans amounted to much in the way of business."⁶² In a similar vein a Foreign Office paper concluded in March 1946 "it would hardly be an exaggeration to say that, if His Majesty's government were actuated by purely commercial considerations, they would have little to lose by washing their hands of any further concern in Eastern Europe."⁶³ Although any public acceptance of "spheres of influence" was taboo, especially in the United States,⁶⁴ the division of Europe and of Germany, whether publicly proclaimed or not, was fast becoming a reality.

The West's economic interests in Austria were not much greater than elsewhere in eastern Europe but its political interests clearly were, especially after the establishment of the Figl government in December 1945. With Soviet removals coming to a halt and take-overs within Austria increasing, conceding a free hand in eastern Austria would not merely mean - as with the rest of eastern Europe - the recognition of a Soviet sphere of influence which already existed de facto and the loss of some investment. It would involve weakening a state whose population and government had clearly rejected communism. In the case of Austria, therefore, any notion of a "carve-up" seemed to be completely unacceptable.

⁶²Walter Millis (ed.) Forrestal Diaries, New York 1951, entry for 29 July 1945, p.80.

⁶³FO memorandum, 12 March 1946, PRO, FO 371/53016/UE1050.

⁶⁴See comments of the State Department official Llewellyn Thompson, meeting in the State Department of 2 January 1946, FRUS 1946, V, pp. 284.

4. German Assets as a Strategic Threat?

Up to the start of 1946 the difficulty of satisfying Soviet economic claims in Austria within a collaborative framework, where Austrian needs would also be considered, had emerged clearly. In the spring of 1946, however, the question assumed altogether more serious dimensions. The Soviet take-over of the Danube Shipping Company early in February was the first of a series of events which, in western eyes, looked like a Soviet offensive against the new Austrian government.

On 17 January the Soviet Union had rejected an American proposal for troop reductions. The Soviet authorities in Austria made major allegations that both British and Austrian authorities were fostering a revival of "militarism". They attacked the Austrian government for failing to "denazify" effectively enough.⁶⁵ Early in February they demanded that the Austrian government repay in schillings a 400 million Reichsmark "loan" given before the currency conversion of the previous November. On 15 February the Soviet authorities asked the Austrian Minister of Agriculture, Kraus, to hand over 74 Farms, amounting to some 27,000 hectares, for the purpose of feeding the Red Army. In the Foreign Office Harvey saw this as "the most glaring piece of Soviet misbehaviour in Austria we have had for some time" and "a useful opportunity for a counter-offensive against Russian criticism of our administration."⁶⁶ Five days later Mack reported that a

⁶⁵ Rauchensteiner, Sonderfall, p.177 ff; ALCO/M(46)16, 11 February 1946.

⁶⁶ AVA, MRP 7, 5 February 1946; ALCO/M(45)16, 11 February 1946; Mack to FO, 16 February 1946, Harvey, 20 February, PRO, FO 371/55116/C1880.

conversation with the Soviet political representative, Kissilev, had left Gruber "in a very gloomy frame of mind." Kissilev had criticised the Austrians for taking the case of the Danube Shipping Company to the Allied Council and pressed him to withdraw his complaint. The Austrian government, Gruber indicated, were thinking of giving way. He "was sure that the Soviet forces would not be withdrawn this year, and...he was doubtful if they would be withdrawn in 1947. The alleged lack of progress in denazification was a convenient excuse. The Russians did not want an early treaty..or change in the existing system of control." Mack went on to compare Konev's "bullying" tactics with von Papen's before the Anschluss. Having failed to control the Austrian government, he suggested, the Russians were now attempting to put pressure on them and exploit their economic weakness. "Austria has to pay not only for what the Moscow declaration described as her responsibility for participation in the war on the side of Hitlerite Germany but also for her emphatic rejection of communism." According to the Head of the German Department, Troutbeck, this despatch showed "the strength of the Russian position in Austria and the difficulty the Austrians find in standing up to it." After reviewing recent Soviet action in Austria he concluded that "the Austrians are badly in need of stiffening if they are to escape from complete domination by the Russians."⁶⁷

After an inconclusive session of the Allied Council the British Commander-in-Chief, McCreery, painted an equally bleak picture three weeks later. He recorded his conviction that "whatever their ultimate plans may be Soviet authorities have no intention of

⁶⁷Mack to FO, 21 February, Troutbeck, 27 February 1946, PRO, FO 371/55256/C2150.

relinquishing or relaxing control in the foreseeable future" and suggested reviewing the policy of reducing British troop levels.⁶⁸ On 15 March Mack reported that Figl had been "subjected for 2½ hours to very severe bullying" by Konev and Kissilev and had been abused for "disloyalty" on account of his action in informing western authorities of Soviet demands. The Chancellor told Mack that "he had been adamant and had not given way. The latest development was that Soviet authorities were seizing properties which belonged to the State and large areas of the Burgenland." Sargent noted in alarm:

It looks as though the administration of Austria is going to become a test case between the Russians on the one hand and ourselves and the Americans on the other. If so, we cannot afford a policy of drift and I think the time is coming when we ought to study the problem from a strategic and a political angle and to decide whether and, if so, where to make a stand. Up till now we have tried to deal piece-meal with each incident as it arises. This gives an enormous advantage to the Russians if they really intend to get the ultimate control of Austria.⁶⁹

Shortly afterwards Gruber told Mack that a

⁶⁸ McCreery to Hynd, 14 March 1946, PRO, FO 371/55256/C2981: "Their refusal to discuss reduction of occupation troops, evident reluctance to discuss draft of new control agreement and their manifestly artificial campaign on the subject of denazification and German and Austrian Mil.[itary] formations all point in this direction.

Soviet motives are probably much influenced by importance of Austria and S.E. Europe generally in their scheme of National Security. They are matter for speculation and may be either:

(A) Desire to maintain present conditions as bargaining counter in connection with disputes and negotiations, connected with Austria or

(B) Hope that French weakness U.S. desire to reduce overseas commitments and British manpower difficulties will induce Western Allies to reduce their Admin [istration] and Mil [itary] resources in Austria to point when Russia would enjoy complete supremacy.

⁶⁹ Mack to F.O. 15 March, Sargent 20 March 1946, 1946, PRO, FO 371/55256/C2982.

confrontation was likely between the Austrian parliament and the Soviet authorities over the land confiscations. He went on to predict that the Soviet Union would not leave Austria within the following two years or relax its control of the Austrian government. As long as it remained "there would be no reconstruction and no rehabilitation of [the] Austrian economy in Eastern Austria or in Vienna." As a result he "was inclined to think that the only practical policy was to develop the Western zones so far as this was possible and to leave Soviet zone to its sad fate until the time came [and the] ...Red Army left." He went on to complain about the British view of Austria as an ex-belligerent and their lack of support for Austria's claim to South Tyrol. Here "Austria would feel that her cup of sorrow was full if that territory were not restored to her, while its restoration to the Mother country would be a great encouragement generally." Mack largely backed Gruber up, and concluded that "the reports which [the] Austrian Government have received about the South Tyrol discussions have certainly had a most depressing effect on them and have made them begin to ask themselves whether anything is worth while."⁷⁰

A few hours later Mack reported even more alarming news. According to an unnamed source the Austrian cabinet had "seriously considered its resignation" on 19 March, largely as a result of Soviet pressure for more denazification." Mack added that "a gesture of encouragement from the West would have considerable value at this time" and he suggested that the Foreign Office reconsider its earlier decision not to invite Gruber to London. This last telegram (which was given cabinet distribution) caused particular concern. Cullis noted that the resignation of the Austrian government would be "disastrous" and saw his scepticism about

⁷⁰Mack to F.O. 20 [?19] March 1946, PRO, FO 371/55256/C3202.

denazification confirmed. Mack was instructed to "encourage the Austrian Government to dismiss thoughts of resignation" and to emphasise that the British position that Austria was technically an ex-enemy "in no way affects our repeated desire to see the early restoration of Austria as an independent and economically viable state."⁷¹

The paper called for by Sargent showed the anxiety with which the situation in Austria was now viewed in London. It opened dramatically:

Austria lies on the frontier between the East and the West. Whether she will eventually be absorbed in the Russian sphere of influence or maintain her ancient connexion with Western Europe is as yet undecided. The struggle for Austria is still in progress.

Recent Soviet pressure on the Austria government showed that "they would like to squeeze the Western Powers out of Vienna and to prevent contacts between Austrians and the West." The Austrian ministers were "continually subjected to personal bullying" and the take-over of agricultural land "would mean the virtual annexation of at least the tenth of the Burgenland." Faced with this pressure the Austrians were showing signs of giving in, in the hope that "the Russians may be bought off by some compromise over an entirely unjustified demand." It continued:

Clearly this is no time for throwing our hand in. The Austrian Ministry of Foreign Affairs recently suggested for example that in view of Russian intransigence the only practical policy was to develop the Western zones and leave the Soviet zone to its fate....That is a policy of despair....Austria is so situated as to hold a peculiarly important position in Europe from both the political and economic points of view. If Austria were to fall under Russian domination, the effect would spread far beyond Austrian borders.

⁷¹Mack to F.O., 20 March 1946, PRO, FO 371/55256/C3203; Burrows, Cullis, 22 March 1946; Draft tel. to McCreery, 23 March 1946, PRO, FO 371/55116/C3281.

Czechoslovakia would be surrounded and our position in Germany and Italy seriously weakened. The iron curtain from Lubeck to Trieste would become an accomplished fact.

Despite this language, the paper did not herald any dramatic policy change. Apart from "the maximum moral support", existing initiatives were to be continued and the possibility of financial support and a reversal of the military run-down was to be explored. A more pro-Austrian attitude on the South Tyrol question was also tentatively suggested. Not much came of all this, however. Coulson raised a number of objections to the idea of financial assistance.⁷² On South Tyrol Bevin showed no inclination to revise the decision, made early in March, to take no pro-Austrian initiative on the question.⁷³ The suggestion of a counter-propaganda offensive in Austria resulted only in some inconclusive discussion.⁷⁴ Finally, after some delay, McCreery's main recommendation - that manpower reductions should be halted or reversed - received a firm thumbs-down from the Chiefs of Staff.⁷⁵

Nevertheless this paper is important for the heightened sense of crisis which it demonstrates. This needs to be placed in the context of the intense debate now taking place within the Foreign Office about Soviet intentions, which was leading to pessimistic conclusions

⁷² Report (untitled) 5 April 1946 forwarded to Bevin with covering note by Sargent, Coulson, 17 April 1946, PRO, FO 371/55257/C4097.

⁷³ Cope, 5 March 1946, PRO, FO 371/57218/U2759; conversation between Schmid and Noel-Baker, 3 May 1946, PRO, FO 371/55220/C5122.

⁷⁴ Steele to Street, COGA, 1 June 1946, PRO, PRO, FO 371/56885/N8467; draft record of meeting at F.O. 31 July 1946, PRO, FO 371/55888/C9301.

⁷⁵ 'Long-Term Policy towards Austria: Strategic Implications', JP (46) 81, 17 June 1946, PRO, FO 371/55258/C7116; Rothwell (p.355) misinterprets this as a call for a stronger commitment.

about any possibility of future East-West co-operation. The reports from Austria in February and March appeared to fit into an overall pattern of Russian hostility.⁷⁶ A similar debate on Soviet policy was taking place in Washington in the wake of Kennan's "Long Telegram". A new approach of "patience and firmness" in the defence of "all future targets of Soviet expansion" was emerging⁷⁷ and Austria was clearly now seen as one such target. Erhardt reported on 26 February that the Russians "are determined to dominate Austria through German assets" and Halifax reported that the Americans were now "thoroughly roused."⁷⁸ The United States High Commissioner, General Mark Clark, echoed this when he told newsmen in April that the Soviet Union was determined to "get domination in Austria."⁷⁹

Bevin seems to have shared this view and it was certainly reinforced by a meeting with the Austrian Socialist leader, Adolf Schärf, early in April. After talking to Schärf Bevin told Mack that he was concerned that "the People's Party are losing heart and almost accepting the position that Eastern Austria is lost to the Russians." He also recorded his concern "that the relations between the Social Democrats and the People's Party are seriously deteriorating" and urged Mack to impress upon the coalition parties the vital need to stick together. He stressed that

this is not a moment for any patriotic Austrian to throw his hand in or for the two truly democratic

⁷⁶ See Rothwell, p 247 ff.

⁷⁷ Gaddis Strategies, p.21-2; see also Loth, pp.120-7 and Yergin, pp.158-178.

⁷⁸ Erhardt to Byrnes, Clark, to Joint Chiefs of Staff, 26 February 1946, FRUS 1946, V, pp. 309-315; Halifax to FO, 2 March 1946, PRO, FO 371/55256/C2521.

⁷⁹ Off-the-record comments to western journalists, 22 April 1946, copy kindly supplied by Mag.Günter Bischof.

parties to split apart. The only result of their dissensions in the old days was to hand the ball to the Nazis. Do they want to repeat the performance and hand it this time to the Communists?"⁸⁰

Two months later Bevin returned to the danger of eastern Austria being cut off. In the course of a Commons debate on South Tyrol he commented that "Austria is not yet free. No-one knows if Eastern Austria might not be cut off from the rest of Austria." In a nice closing of the circle the comment - originally from Gruber - now returned to Austria and caused a minor furore.⁸¹

Was this heightened sense of crisis justified? Although Soviet intentions are, as always, hard to divine, there is some reason to doubt it. Several of the events which caused alarm in London were based on misconceptions or exaggerations. For example, the Austrian cabinet minutes provide no evidence that it had in fact been close to resignation on 19 March.⁸² The takeovers of land surely amounted to less than a "virtual annexation" of parts of the Burgenland and it seems unlikely that Gruber was really considering "abandoning" eastern Austria. In fact it seems clear that he was guilty of some over-dramatising for political ends. By implying that Austria's weakness would force her to do a deal with the Soviet authorities, he seems to have been trying to increase western support on a number of issues - above all South Tyrol. This emerges clearly from the instructions he sent to Austrian ministers in Paris, Washington and

⁸⁰FO to Vienna, 19 April 1946, PRO, FO 371/55267/C4560. See also Schärf, Österreichs Erneuerung, pp.106-111. Stadler (Schärf, pp.243-4) incorrectly ascribes this signal to an unknown author.

⁸¹See Wildner, 2 August 1946, HHStA, BMAA, 112.048 pol-46, K.6. 1946; part of the Austrian concern resulted from the mistaken view that Bevin had meant to say southern Austria, and was thus referring to the Yugoslav claim to Carinthia.

⁸²AVA, MRP 13, 19 March 1946.

London early in April:

In verschiedenen Gesprächen habe ich die Vertreter der Westmächte bereits darauf hingewiesen, dass die Entwicklung der Verhältnisse in Österreich leicht diese oder eine andere Regierung wird zwingen können, sich mit dem russischen Element über dessen Forderungen zu verständigen. Solange die gute Jahreszeit jetzt andauern wird, wird es nicht zu grösseren innerpolitischen Auseinandersetzungen kommen, wenngleich nicht übersehen werden darf, dass sich der Bevölkerung steigende Unruhe und Enttäuschung bemächtigt. Dazu trägt die Politik des russischen Elements bei..Es ist den Regierungen der Westmächte mit aller Dringlichkeit klar zu machen, dass, wenn es bis zum Herbst nicht gelingt, eine wesentliche Verbesserung in Österreich und eine starke Unterstützung der Westmächte in allen Österreich betreffenden Lebensfragen zu erreichen, mit dem Beginn der schlechteren Jahreszeit mit schweren innerpolitischen Auseinandersetzungen zu rechnen ist und dass der Österr.[eichischen] Regierung wahrscheinlich gar nichts anderes übrig bleiben wird, als gegenüber den russischen Forderungen einzulenken, gewisse wirtschaftliche Positionen zu räumen, um wenigstens die Existenz der Bevölkerung sicherzustellen und durch einen modus vivendi zu versuchen, durch die nächsten schwierigen Jahre hindurchzukommen. Das Verhalten der Westmächte in der Frage des Abschlusses eines Vertrages mit Österreich und insbesondere auch in der Südtiroler Frage....haben hier auch in den führenden Kreisen starke Bedenken hervorgerufen und demgemäss berät die Österr.[eichischen] Regierung, ob es auf die Dauer riskiert werden könne, den russischen Forderungen nach Kontrolle der Österr.[eichischen] Wirtschaft einen so starken Widerstand wie bisher entgegenzusetzen.

Gleichzeitig sind die Westmächte darauf aufmerksam zu machen, dass die Potsdamer Erklärung, von der ein grosser Teil der Österr.[eichischen] Schwierigkeiten herrührt, als ein Beweis dafür angesehen werden muss, dass es den Westmächten mit dem Schutz der Österr.[eichischen] Interessen nicht sehr ernst ist. Die weiteren Erfahrungen in der Südtiroler Frage liessen Zweifel aufkommen, ob Österreich bei den westlichen Alliierten eine zuverlässige Unterstützung finden wird, die es ihm gestattet, den Versuchen insbesondere des Ausbaues der Kontrolle Österreichs durch das russische Element entgegenzutreten, das sich auf dem legalen Rechtsgrund der Potsdamer Deklaration stützen

⁸³ 'Vertrauliche Instruktion', (draft), 1 April 1946, HHStA, BMAA, 110.850, pol-46, K.6, 1946: see also interview between Sargent and Schmid on 12 April, Austrian record, HHStA, BMAA, 111.053, pol-46, K.6, (Footnote continued)

kann.⁸³

Admittedly, the Austrian government faced severe economic and political problems. The supply situation was critical and even UNRRA, which finally got going in April, was only a stop-gap solution. Yet, though Soviet actions doubtless aggravated these problems, they would in any case have been catastrophic enough. Furthermore, however ill-disposed the Soviet authorities were towards the new Austrian government, some of their actions were partly explicable in purely logistical terms. Since the end of 1945 the Red Army had been finding it increasingly difficult to live off the land in its usual fashion.⁸⁴ The Red Army's allocation of occupation schillings, which had been agreed on at the time of the currency conversion in November 1945, was now fast running out. By the start of March they had only 75 million out of 900 million Austrian schillings left. Further allocations could only be made by agreement with the other Commanders-in-Chiefs.⁸⁵

Early in April came a general easing of tension. Soviet troop levels began to be reduced and Erhardt reported that there had been a "remarkable change of Soviet attitude."⁸⁶ By the end of May some land was returned and Figl told his colleagues that the question appeared close to solution.⁸⁷

⁸³ (continued)
1946; British record and discussion about Austria's status, Mack to FO, 26 April 1946, PRO, FO 371/55257/C4141/4618; see also Rauchensteiner, Sonderfall, p.178.

⁸⁴ Periodical Intelligence Digest, 29 October 1945, PRO, FO 1007/288.

⁸⁵ Hampshire (C.O.G.A.) to Burrows, 12 March 1946, PRO, FO 371/55284/C2817.

⁸⁶ Erhardt to Byrnes, 12 April 1946, FRUS 1946, II, p.330.

⁸⁷ "Die Frage der Landnahme wurde nunmehr in einer Form geregelt, dass die Angelegenheit als erledigt
(Footnote continued)

take-overs and the Control Agreement, finally signed at the end of April. No doubt, it would be as wrong to overstate the "April thaw" as to exaggerate the "February freeze". But on one crucial question the Soviet Union undoubtedly did make a major concession - the new Control Agreement. The paternity of the Agreement and of the "reverse veto" (which meant that in the absence of an allied veto all except constitutional laws automatically entered into force after 31 days) need not be discussed in detail here.⁸⁸ As Rauchensteiner has argued, the Russians are unlikely to have conceded this large measure of autonomy to the Austrian government accidentally.⁸⁹ This might suggest that they had now re-assessed their whole attitude towards the Austrian government. At all events it further undermines the view that they were hell-bent on its destruction.

What evidently had not been re-assessed, as events were soon to show, was the Soviet position on German assets. Although the connection between the Soviet

⁸⁷ (continued)

betrachtet werden kann." AVA, MRP 21, 21 May 1946.

⁸⁸ On this see i.a. Schärf (Österreichs Erneuerung 1945-1955, p.110) whose claims to have played a decisive role in invoking British support in April must be discounted on purely chronological grounds; Lydia Lettner ('Die Französische Österreichpolitik, 1943-5', Unpublished PhD. Univ. Salzburg 1978, p. 157ff.) who inflates the French role; Ware Adams, Head of the American Political Division, ('The Negative Veto - A Breakthrough' in Robert A Bauer (ed.), The Austrian Example - International Conflict and Co-operation, Charlottesville 1982, pp. 76-84 and Rauchensteiner, Sonderfall, pp.167-74) whose claims probably have most justification. The idea of the "reverse veto" was implicit in the earliest British draft and was suggested by the First Secretary of the German Department, Bernard Burrows, (see Political Working Party Meeting, 1 January 1946, EIPS/334/8, PRO, FO 942/388).

⁸⁹ Rauchensteiner, Sonderfall, pp.166-7. According to General Winterton (transcript of an interview with Prof. Sorenson, Liddell Hart Archives, Kings College London) the Soviet Deputy Commander-in-Chief, Zheltov, opposed the provision for precisely this reason (Footnote continued)

take-overs and the Control Agreement, finally signed at the end of June, is still far from clear there is little doubt that the Agreement provided a legal justification for past and future Soviet take-overs.⁹⁰ To this extent it did perhaps involve a tacit recognition by the West that, since previous attempts to discuss the question had been unsuccessful the point might as well be conceded.⁹¹ It was only in July, when the Austrian government ignored the stipulation reserving German assets to the Allies and nationalised some of them, that the Russians protested and the belief grew up that they had been "tricked" into signing the agreement.

In the second half of April 18 more firms were taken over as German assets.⁹² Though continuing to promise to consider individual cases, the Russians made clear that they considered their action covered by Potsdam.⁹³ At the same time they offered the carrot of trade negotiations to tempt the Austrians into resuming negotiations for an agreement on oil.⁹⁴

⁸⁹ (continued)
before, presumably after instructions from Moscow, suddenly reversing his position. See also John Mair, in Michael Balfour and John Mair, Four Power Control in Germany and Austria, 1945-1946, London-New York-Toronto 1956, p.328.

⁹⁰ There is little evidence in the British archives, at least, to support Rauchensteiner's suggestion (Sonderfall, pp.178-9) of a quid pro quo according to which the West conceded this point in return for Soviet acceptance the "reverse veto."

⁹¹ This was certainly the argument of British officials in Vienna, if not in London, where the concession was viewed with disapproval. See Cullis, 14 May, PRO, FO 371/55144/C5267, Steele to C.O.G.A, 24 May 1946, PRO, FO 371/55145/C5913. Article 1 (b) reserved to the Allies action on matters specified in Article 5. These included "the disposal of German property in accordance with the existing agreements between the Allies." Text in Grayson, Appendix XVII.

⁹² AVA, MRP 18, 30 April 1946; see Klambauer, 'Die USIA Betriebe', pp. 161-70.

⁹³ Gruber to Kissilev, 4 April, Kissilev to Gruber, 10
(Footnote continued)

Whatever its fluctuations and inconsistencies, it is clear, therefore, that Soviet policy towards Austria in the first four months of 1946 could easily be fitted into the interpretations of a global aggressive Soviet strategy which were now gaining ground in the West.⁹⁵

5. Blows and Counterblows

The following months showed how difficult it was to make any progress on German assets on the existing basis. However much the West disliked the consequences of the Potsdam agreement in the case of Austria, it could not publicly renounce it. On the other hand, in order to revise it, Soviet co-operation was needed. But any carrots the West might offer to gain this co-operation would only entrench them further into their position in eastern Austria.

A British brief for the Paris Council of Foreign Ministers in April argued, with little confidence, in favour of making concessions on the basis of letting bygones be bygones:

The fact that certain Russian removals of allegedly German assets will be virtually "legitimised" by these proposals is the only possible inducement for the Soviets to accept anything on the lines of our proposals. The State Department now have doubts as to how much Austria stands to lose as a result of this proposal and we have asked for an estimate of what the loss might be. We frankly do not know to what extent Austria's loss as the result of our proposals would go beyond what she should have lost

⁹³ (continued)

May 1945, Schilcher, doc.51.

⁹⁴ AVA, MRP 21, 21 May 1945.

⁹⁵ Loth, pp.127-8.

in the Soviet zone under Potsdam but we feel that the removal of existing doubt, which prevents any effective planning, would be worth the probably greater price.

As for the recent Soviet takeovers at the end of April officials in the economic departments considered that until the British "no further claims" thesis was accepted "the Russians have every right to take such firms in their zones over."⁹⁶

But the idea of passing a veil over previous Soviet take-overs had already been heavily criticised both by the Americans and by the British in Vienna as conceding too much.⁹⁷ The American delegation at Paris was even less inclined to look favourably on such an approach. By now Byrnes' "quid pro quo strategy...had become a domestic liability"⁹⁸ and he now made a determined push to put an Austrian Treaty onto the agenda, partly in order to raise the German assets question and partly in order to speed up the evacuation of Soviet troops from Hungary and Rumania. On 26 April the American delegation circulated a memorandum proposing that the Treaty should

provide a settlement in the light of the Potsdam Agreement with respect to German assets in Austria and assure the economic security envisaged for Austria in the Moscow Declaration and leave the Austrian government in complete and sovereign control of its economic resources and economic activity within its frontiers.⁹⁹

In London Robb noted with irritation that "our hands

⁹⁶ Draft Brief for Paris CFM, n.d., received 26 April 1946, PRO, FO 371/53114/UE1758.

⁹⁷ Mack to FO, 4 April 1946, PRO, FO 371/53113/UE1414.

⁹⁸ Gaddis, Strategies, p.18. See also James Byrnes Speaking Frankly, New York 1947, pp.164-5; Patricia D. Ward, The Threat of Peace: James F. Byrnes and the Council of Foreign Ministers, 1945-1946, Ohio 1979, pp.78-90.

⁹⁹ CFM(46)3, 26 April 1946, FRUS 1946, II, pp.124-6.

have to some extent been forced. The State Department are quite unwilling to fall in with our ideas, and only rejection by the Russians of their ideas will induce them to."¹⁰⁰ The subsequent lack of progress at Paris may have shown this judgement to have been correct but it is unlikely that Robb's more conciliatory approach would have cut any more ice.

The "Kurassov Order No. 17", dated 27 June, but published on 6 July, announced the Soviet take-over of over 200 firms in eastern Austria under the title of German assets.¹⁰¹ The reasons for the sudden Soviet move have been much discussed but still remain obscure. The back-dating of the order to 27 June in particular is a major puzzle. The earlier argument that this was done because the action would be illegal under the new Control Agreement is not convincing since, as has been shown, this was not the case.¹⁰² Perhaps the Soviet authorities in fact wished to anticipate precisely the argument that they needed the new Agreement to legitimise what might have been seen as an otherwise illegal action. Perhaps the move itself was designed to pre-empt discussion made at Paris, where Austria had now finally been brought on to the agenda. The American draft article, circulated at the start of June, may have added a further impetus, since it proposed that the decision on what assets were to be transferred should be made after signature of the treaty. Roger Stevens, (Economic Relations Department) considered that it "may be innocuous in intention, but is capable of being misconstrued by the Russians" and after the take-over Bevin expressed a similar view to Byrnes.¹⁰³

¹⁰⁰Robb 1 May, Robb to Ritchie, 6 May 1946, PRO, FO 371/53114/UE1923.

¹⁰¹Text in Grayson, Appendix XVIII.

¹⁰²Rauchensteiner, Sonderfall, p.179.

At all events the Soviet move undoubtedly represented an assertion of its maximum claim under Potsdam. It also ran counter to the negotiations with the Austrians which were just starting up again.¹⁰⁴ Even so it was hardly more radical than the comments of Tolbuchin or Gousev a year earlier had implied. In this sense the take-over was perhaps a Soviet decision that Austria's increasing western orientation meant that it had little to lose politically by acting with any further restraint. It had little to lose from any unpopularity it might reap either for itself and for the Austrian communists.¹⁰⁵

To the West, the Soviet take-overs posed the same problem as before - albeit in aggravated form. In the following months western and Austrian governments tried - from slightly different perspectives - to grapple with the contradiction presented by their need to get Soviet co-operation, and (in the case of the West) their legal commitment to Potsdam on the one hand, and their rejection of the consequences of Potsdam on the other. None of these attempts were very successful.

The following exchange in cabinet between Figl and his Transport Minister, Ubeleis, conveys the shocked

¹⁰³Stevens, 11 June 1946, PRO, FO 371/53115/UE2537; UK delegation (Paris) to FO, 10 July 1946, PRO, FO 371/53117/UE2938; see also Robb, 9 July 1946, PRO, FO 371/53116/UE2920; Part XIV of the American draft stated that "Austria shall relinquish such German assets in Austria as the Occupying Powers agree within a period of six months from the effective date of this Treaty should be surrendered to them or any one of them as part of the German reparation settlement" and excluded transfers made through "fraud and duress" (PRO, FO 37/55248/C6420).

¹⁰⁴AVA, MRP 26, 18 June 1946; J. Nicholls, Vienna, to FO, 21 June 1946. PRO, FO 371/53116/UE2704.

¹⁰⁵See Fischer, pp.157-160.

Austrian reaction to the Soviet take-overs:

[Figl] : Wir haben uns immer auf den Standpunkt gestellt, was bis März 1938 österreichisches Eigentum war, ist mit dem Tag der Befreiung wieder österreichisches Eigentum geworden, ganz gleich ob es einer juristischen oder privaten Person gehört.Nun ist doch in Österreich ab März 1938 alles unter Zwang und Druck geschehen....Wenn wir zu dem ja sagen, dann ist im östlichen Österreich die Wirtschaft erledigt....Wenn wir das alles zusammennehmen, können wir feststellen, dass nicht mehr viel für Österreich übrig bleibt. Ich glaube nicht, dass die Regierung, die erklärt hat, alles daran zu setzen, um die Wirtschaft wieder aufzubauen, auf alles, wie Zistersdorf, DDSG, Schoeller-Bleckmann u.s.w. verzichten kann."

... Überleis: Deutsche Reichsbahn und Deutsche Reichspost.

[Figl] : Ja, Hofburg, Parlament und Rathaus. Wir wissen ja nicht, ob wir nicht an einem verbotenen Tisch sitzen.

German investment in Austria after the Anschluss, Figl argued, could not be simply taken as German "denn sie sind auf unserem Boden, mit unserem Material, mit unseren Arbeitskräften, mit unseren Steuern durchgeführt worden." The question was of a matter of life and death ("von lebensentscheidender Bedeutung")

denn bei der Durchführung des Befehles verbleibe nur finis Austria. Wir müssen der Welt darlegen, dass Österreich gewillt ist zu arbeiten. Aber hat man das Land befreit, so muss man dem Volk auch das Recht und die Möglichkeit geben zu leben und das ist unmöglich, wenn man die Substanz wegnimmt.¹⁰⁶

As Figl indicated, the Austrian case was based on two parallel arguments: firstly, a general appeal to the spirit of the Moscow Declaration and secondly, the contention that German assets should be regarded as Austrian, either because they had been forcibly transferred or because they had been created by the use of Austrian resources. Both lines were pursued in Figl's speech to the Austrian parliament shortly afterwards.¹⁰⁷

¹⁰⁶AVA, MRP 30, 6 July 1946.

¹⁰⁷For text see Eva-Marie Csaky (ed.), Der Weg zu (Footnote continued)

Neither of these last two arguments were accepted unreservedly in the West, however. The Russian action was not evidently illegal. Mark Turner, head of the Economic and Industrial Planning Staff noted that "outrageously though the Russians may have behaved we were not on very strong ground owing to the obscure wording of the Potsdam Agreement."¹⁰⁸ Stevens considered "the Soviet authorities are acting within the letter of the present law. It is really we who are trying to re-interpret Potsdam."¹⁰⁹ The detailed examination of the take-overs made the following year by the Austrian Treaty Commission was to confirm this view.¹¹⁰ Even the Americans did not fully endorse the Austrian position. In his protest letter to Kurassov Clark stressed that forced transfers could not be taken as German assets and implied that many of those taken over had indeed been forced but he was careful not to question the Soviet right to take over those assets not covered by the 1943 London Declaration on forced transfers.¹¹¹ Because it

¹⁰⁷ (continued)

Freiheit und Neutralität. Dokumentation zur österreichischen Aussenpolitik 1945-1955, Vienna 1980, doc. 41; English translation, Annex H of "'German' Assets in Austria", 24 July 1946, PRO, FO 371/53119/UE3258; also Klambauer, 'die USIA Betriebe,' pp.187-191.

¹⁰⁸ Turner, 8 July 1946, PRO, FO 943/249.

¹⁰⁹ Stevens, 9 July 1946; PRO, FO 371/53116/UE2920.

¹¹⁰ This showed that of the 60 most important firms 18 had 100% "ostensible German interest" at 8 May 1945; 25 of between 50 and 100%; out of this total of 43, 20 had been German-controlled in March 1938; 2 were new concerns founded during the Anschluss period; 6 were acquired by Germans after "aryanisation"; 3 were purchased by Germans from the Creditanstalt and 2 from the Länderbank; 3 were purchased by Germans from the German liquidator of the Österreichische Industrie-Kredit; 7 were purchased from United Nations, other foreign owners and Austrian owners. Of the 198 medium-sized and small concerns taken over there was an ostensible German controlling interest in 175 cases; 92 appear to be genuine German interests in 1938; 15 were new German concerns formed after that

(Footnote continued)

failed to include the Austrian argument that all post-Anschluss transfers should be prima facie presumed to have been forced, Clark's letter was regarded in the Ballhausplatz as "durchaus unzureichend."¹¹²

This underlying problem could only partly be glossed over by the American post-propaganda counter-offensive which now followed. On 16 June Clark handed over the Steyr works to Austrian trusteeship in a fanfare of publicity. Since these assets concerned had clearly been created by German capital their transfer effectively showed Austria the high priority which the Americans gave to her economic recovery.¹¹³ Yet it hardly challenged the legitimacy of the Russian takeovers. The impasse was underlined by the final day's discussion at Paris. Byrnes' attempt to open discussion of an Austrian Treaty was successfully blocked by Molotov and by the time Bevin raised the question of German assets there was no time left for discussion.¹¹⁴

¹¹⁰ (continued)

date; 51 were acquired by "aryanisation"; 5 from Creditanstalt and 1 from the Länderbank, 5 from Industrie-Kredit, 6 from United Nations interests and other foreign and Austrian owners. As far as the agricultural and forest land was concerned, 48% of the former and 19% of the latter had been compulsorily purchased for use as a military training ground in return for "reasonable" compensation; 14% (and 19%) had been transferred "in varying circumstances probably amounting in some cases to duress"; 20% (and 14%) had become German as a result of "aryanization"; 13% (and 35%) appeared to have been "genuinely German-owned in 1938." This left 5% (and 13%) unclarified and did not include the former Esterhazy estates. Vienna to FO, 31 July, 1 August 1947, PRO, FO 371/63985/C10410/C10416. See also Bader, pp.123-4.

¹¹¹ Clark to Kurassov, 6 July 1946, FRUS 1946, V, pp.354-5.

¹¹² Conversation between Gruber and Mellon (ACA, US Economic Division), 8 July 1946, HAW.

¹¹³ See James Byrnes All in One Lifetime, London 1958, p. 367: "Clay and Clark both told me that they thought (Footnote continued)

Could the Austrians achieve more by negotiating directly with the Soviet authorities? Even disregarding the political risks which many thought this would entail there was a gulf between the two sides on the substance of the issue which hardly seemed bridgeable. The Soviets flatly rejected the Austrian argument that compulsion should be assumed in the case of all post-Anschluss transfers. As Kissilev told Gruber tartly, "die Nazis hätten zwar wohl den Österr[eichischen] Staat beseitigt, aber nicht das Privateigentum. Daher haben die Privateigentümer die volle Freiheit des Handelns gehabt und deshalb müsse es ihr Verkauf anerkannt werden, wenn nicht im einzelnen etwas anders bewiesen werden könne." Gruber replied that

bei diesem Standpunkt könne von einer Einigung nicht die Rede sein, denn diese Gruppe umfasse ja den Hauptteil des deutschen Eigentums in Österreich.¹¹⁵

The Russian definition which emerged from these exchanges put the onus heavily on the former owner to produce evidence that compulsion had been involved in any transfer.¹¹⁶

¹¹³ (continued)

Soviet propaganda was making headway and that further clarification of our own aims would be helpful."

¹¹⁴ US note to the Austrian government, 10 July 1946, Grayson, appendix XIX, UK delegation (Paris) to FO, 10 July 1946, PRO, FO 371/53117/UE2938; Bevin to Molotov, 24 July 1946, PRO, FO 371/53119/UE3414.

¹¹⁵ Meeting of 13 July 1946, Schilcher, doc. 53.

¹¹⁶ "Kann ...einwandfrei festgestellt werden, dass bei der Eigentumsübertragung ein Zwang ausgeübt wurde oder dass die Kaufsumme nicht voll ausbezahlt wurde, so kann das UdSSR-Kommando die dem früheren Eigentümer in Frage kommenden Vermögenswerte zurückgeben, sofern der frühere Eigentümer dem UdSSR-Kommando die seinerzeit erhaltene Summe übergibt, oder das UdSSR-Kommando kann umgekehrt das Eigentumsrecht für sich in Anspruch nehmen und dem früheren Eigentümer die Differenz (Wertzuwachs) zwischen der seinerzeitigen Kaufsumme und dem derzeitigen Wert ausbezahlen." In addition the Soviet definition excluded property which had belonged

(Footnote continued)

precedent might be created for British interests in
Czechoslovakia. Despite this, the Austrians at first appeared
ready to take up the Soviet suggestion of bilateral
negotiations. They concentrated on three ideas: firstly,
drawing up a list of a specific number of firms to be
handed over, secondly, buying out the Soviets by means
of government bonds ("Ablöse") and thirdly, gaining an
assurance that any firms handed over would remain
subject to Austrian jurisdiction. After some discussion
a proposal along these lines was sent to the Soviet
Commander on 24 July¹¹⁷ but, by passing the
Nationalisation Bill shortly afterwards, the government
showed that they probably did not place much hope in its
success. The Bill was passed in the teeth of Soviet
warnings and included 19 companies which had been taken
over by "order Nr. 17".¹¹⁸

The reaction in London to the Austrian move was
mixed. Several officials were taken aback and far from
pleased. At a hastily convened meeting on 31 July a
number of objections were raised. There was an economic
objection to the nationalisation of some British
interests with little prospect of compensation other
than in Austrian schillings.¹¹⁹ There were fears that a

¹¹⁶ (continued)

"eindeutig" to the Austrian state before 1938 and
"aryanised" property, Meeting, Hotel Imperial (Soviet
HQ), 15 July 1946, Schilcher, doc. 55; Ziniev to Figl,
16 July, Csaky, doc.32; English translation, Grayson,
Appendix XX.

¹¹⁷ 'Besprechung über das deutsche Eigentum' 15 July,
Ziniev to Figl, 16 July 1946, HHSta, HAW; AVA, MRP 33,
23 July, Figl to Kurassov, 24 July 1947, HHSta, HAW.

¹¹⁸ Kurassov to Figl, 23 July 1946, Figl to Kurassov, 31
July 1946, Schilcher, doc. 56.

¹¹⁹ The chief British interests affected were in the RAG,
Steinberg Naphta, Shell Florisdorfer Mineralölfabrik,
Tiefbohrunternehmen Richard van Sickle, Wiener
Lokomotivfabrik, Siemens-Schuckertwerk AG and
Creditanstalt-Bankverein; see PRO, FO
371/53120/UE3517; also Siegfried Hollerer,
(Footnote continued)

precedent might be created for British interests in Czechoslovakia and Iran.¹²⁰ The main legal objection was that the inclusion of firms which were arguably German assets contravened the Control Agreement.¹²¹ Robb complained that "the Austrian Government are playing their own game rather than ours" and proposed asking them to bring in a revised Austrian law excluding interests "which are agreed by an appropriate Quadripartite body to be German assets."¹²² The German Department was more alive to the political disadvantages of breaking ranks with the Austrians and the Americans. Bernard Burrows entered a strong plea in favour of the Austrians:

I feel strongly that we should not take up too negative an attitude over this. The nationalisation law is a good thing both because it puts the Russians to some extent on the spot, and because it represents common ground between the People's Party and the Socialist Party and, except for the Russian complication, the Communist Party....We can only hope to compete with Communism by taking all possible credit for progressive socialism...The Austrians have shown considerable courage. We shall lose considerable goodwill if we appear now to let them down.¹²³

After a meeting on 3 August, at which the different view-points were aired, a statement was drafted, to be read in the Allied Council, which criticised the Austrians as being "technically at fault" and called for an amended law to be submitted.¹²⁴

¹¹⁹ (continued)

Verstaatlichung in Österreich, Vienna 1974. pp.34-9.

¹²⁰ See the belated intervention by Berthoud, Ministry of Fuel and Power, 9 August 1946, PRO, FO 371/5321/UE3558.

¹²¹ Meeting, 31 July 1946, PRO, FO 371/53120/UE3450.

¹²² Robb memorandum, 2 August 1946, PRO, FO 371/53119/UE3538.

¹²³ Burrows, 1 August 1946, PRO, FO 371/53119/UE3450.

¹²⁴ Robb memorandum, summarising arguments, 2 August, minutes of 3 August Meeting, PRO, FO 371/53120/UE3548,
(Footnote continued)

After a series of stormy meetings in the Allied Council
An improbable Anglo-Soviet front on the issue did not materialise, however. Mack signalled his strong opposition to any implied censure of the Austrian government. Introducing the issue of United Nations interests would "confuse the issue....[and] admitting the Austrian Government are 'technically at fault' will so weaken our attitude that it will be difficult to resist the Soviet demand to veto the Austrian bill out of hand."¹²⁵ British politicians too, were uneasy about the implications of publicly opposing a nationalisation measure. Noel-Baker "expressed some doubts whether we should wait for the question of compensation to be thrashed out before agreeing to nationalisation" and cited the Czech nationalisation procedure against Robb's views. Hynd opposed the idea of associating with the Soviet resolution. As a result the British High Commissioner, James Steele, merely read out a non-committal statement.¹²⁶ American support for the Austrian move clinched the argument. Despite doubts about its legality the State Department fully backed it.¹²⁷ After some confused negotiations British officials backed away from the idea of amending or suspending the bill to take account of United Nations interests and settled for an assurance from Figl which, it was admitted privately, had little legal force.¹²⁸

¹²⁴ (continued)

Control Office to Vienna, 7 August 1946, PRO, FO 371/53120/UE3549.

¹²⁵ Mack to FO, 7 August 1946, PRO, FO 371/53120/UE3513.

¹²⁶ Robb, reporting Noel-Baker's views, 5 August 1946, PRO, FO 371/53120/UE3549, Chaput, reporting Hynd's views, 6 August 1946, PRO, FO 945/63, see also Schmid's account of a conversation with Hynd, 9 August 1946, BMAA HHStA, 112.339, pol-46, K. 9, 1946; ALCO/M(46)29, 9 August 1946.

¹²⁷ Acheson to Caffery, (US Ambassador, Paris) 16 August 1946, FRUS 1946, V, p.362; Rauchensteiner, Sonderfall, pp.181-2.

¹²⁸ Conversation between Mark Turner and Gruber at Paris, (Footnote continued)

After a series of stormy meetings in the Allied Council the Nationalisation Bill became law.¹²⁹

The Law was no more able to cut the Gordian knot, however, than the American transfer of "western assets" had been. Since the Russian vetoed its execution it remained a dead letter. Not only did the Russians remain in possession of the assets they claimed, they consolidated their hold, established the Soviet administration of Soviet property in Austria (USIA) and an organisation of factory guards (Werkschutz). Clark conceded with some bafflement that "he had exhausted every avenue for negotiations on this topic which he thought was open without success."¹³⁰ The realisation that neither the American counter-action in their zone nor the Austrian nationalisation would provide a solution to what happened in the Soviet zone seems to have led to a number of more conciliatory avenues - or jungle paths - being pursued in the following months.

On the Anglo-American side, after much discussion a draft proposal surfaced early in December which tried to combine the American preference for an agreed western definition and subsequent Austro-Soviet negotiations with the British wish to see the "safety valve that disputed cases can be dealt with quadripartitely." As a first step the Austrian government was to draw up lists of factories, in consultation with the Russians. The definition was to include property "acquired...on or after 13 March 1938, through the introduction of new German capital in the enterprise, or...acquired...by

¹²⁸ (continued)

6 September 1946, UK delegation (Paris) to FO 6 September, Winterton to Figl 28 August, Figl to Winterton, 31 August, Winterton to Figl, 4 September 1946, PRO, FO 371/53121/UE3979/UE3980/UE4045/4174.

¹²⁹ ALCO/M(46)30, 23 August 1946.

¹³⁰ Meeting at State Department, 17 September 1946, FRUS 1946, V, pp.369-71.

lawful purchase without compulsion or duress."¹³¹

This definition, however, would mean far more concessions to the Soviet Union than the Austrians were prepared to make. For months Gruber had been attempting - with only limited success - to get the West to accept the principle that post-Anschluss transfers should be assumed to have taken place under duress. At the same time the Austrians too, had been edging back towards negotiations with the Russians after the row over nationalisation. The Minister for Reconstruction, Peter Krauland, "thought that the Russians might be willing to waive the bulk of their claims under Potsdam in exchange for an agreement over oil" and that the Austria's best policy "must be to reach a reasonable agreement with the Soviet quickly, on condition that this agreement should be final." Officials in London viewed these talks sceptically, fearing that such a commission "would represent a surrender of the Austrian position and would be the first in a series of concessions."¹³²

But when Gruber saw the Anglo-American proposal he realised that it would imply far more concessions to the Soviet Union than anything the Austrians would have been prepared to consider. By including everything which had been bought by the Germans without pressure after 1938, it would mean the loss of a considerable number of factories. To prevent this Gruber hastily moved with a rival offer. With a half-assurance of American support he drafted an alternative proposal consisting of two parts - firstly, a proposal to buy out the Soviet claims

¹³¹ 'Draft Proposal for the enforcement in Austria of the Reparations provisions of the Potsdam Agreement' and covering Note by Lorie, RDR/16, 13 December, PRO, FO 371/53128/UE6074.

¹³² Southam ACA(BE), conversation with Krauland and Hintze, 18 August 1946, PRO, FO 371/55259/C11015; Mack to FO, 21 August 1946, Vienna to FO, 27 August 1946, PRO, FO 371/53121/UE3792/UE3877; AVA, MRP 35, 22 August 1946.

for a specified number of firms, and secondly, a special settlement for oil.¹³³ On 12 December he initiated exploratory talks. The Russians were cautious at first but became more amenable when Krauland explained that the proposal would involve the suspension of the Nationalisation Law. Gruber described the conversation he had later in the with Kissilev as "die freundlichste seit Monaten".¹³⁴ On 17 December the cabinet gave its approval after Figl had summed up the Austrian position in the following terms:

Unser Plan war der, dass wir erklärten, über die Potsdamer Beschlüsse nicht ganz hinweg kommen zu können. Wir teilten ihnen [the Soviet authorities] weiters mit, dass wir anerkennen, dass nach derz[eil]iger Rechtslage ein Teil der Betriebe den Russen zukommen würde und verweisen auf die in den Moskauer Erklärungen [sic] festgelegten Vereinbarungen über ein freies unabhängiges Österreich, das wiederhergestellt werden soll. Wenn wir die Moskauer Erklärungen und die Potsdamer Beschlüsse sowie das Kontrollabkommen in Betracht ziehen, so bleibt die wirtschaftliche Tragfähigkeit gewahrt. Wir anerkennen eine gewisse Reparationspflicht [sic!], wir wollen aber diese ablösen u[nd] z[war] in der Weise, dass das, was Russland gehört, der Staat übernimmt und wir eine Abfindung leisten.

As a result of objections by Schärf the idea of a five year period for taking up an option on the factories was scrapped, and it was also laid down that they were to be bought back in government bonds rather than schillings.¹³⁵

Though Mack had expressed some doubts earlier,

¹³³Gruber memorandum, 11 December 1946, HHStA, BMAA, 113.536, pol-46, K 25, 1947; see also Mack to FO, 10 December 1946, PRO, FO 371/53128/UE5929.

¹³⁴Meeting, Hotel Imperial, 12 December 1946, HHStA, BMAA, 113.509 pol-47, K.25, 1947.

¹³⁵AVA, MRP 50, 17 December 1946; see also Schärf's summary in a letter to Walter Wodak, 28 December 1946, Wagnleitner, Diplomatie, doc. 245.

Gruber had gained the impression that there would not be any direct British objection. But a meeting in the Foreign Office had decided that the Austrian plan "was unrealistic and dangerous. The Austrian government should be told their plan was unacceptable".¹³⁶ Despite this on 19 December the Austrians went ahead with their proposal and a minor diplomatic row ensued.¹³⁷ When Gruber saw Mack again he minimised the significance of the offer. "Apart from Zistersdorf the list was unimportant. Only Zistersdorf would be bought back in Foreign currency and it would not give the Russians control of the Austrian economy." These and Gruber's other arguments, Mack reported, he had "brushed aside."¹³⁸

The British objections did not arise from any particular concern about British economic interests such as oil. The details were not available in London when the decision to protest was taken. In any case some time later it was discovered that the Austrian list of factories did not contain any enterprises with a direct British interest. As for oil, though the proposed Treaty presumably would have included fields claimed by western companies, the oil companies had no time to intervene.¹³⁹ The British dislike of the proposal arose not from an economic but from a political judgement -

¹³⁶ FO Meeting, 18 December 1946, PRO, FO 371/53128/UE6162; see also Schmid report of a telephone conversation with Cullis, Schmid to Gruber, 19 December 1946, HHStA, BMAA, 105.016 pol-47, K.16, 1947.

¹³⁷ Mack to FO, 14 December 1946, PRO, FO 371/53128/UE6018.

¹³⁸ Mack to FO, 19 December 1946, Gruber to Mack, enclosing copy of Austrian offer. PRO, FO 371/53128/UE6092/UE6192.

¹³⁹ For Austrian socialist speculation about intervention by oil companies see, Wodak, Diplomatie, doc. 244, Schärf to Wodak, 27 December 1946. Schärf himself did not think it likely.

that the Austrian government could not negotiate as an equal partner with the Russians and would in the end be forced to concede too much independence. If the Austrians did in the end go ahead and deliver the proposals it was because, despite reservations, the Americans supported them. The State Department signalled that they were "confident the Austrians will not commit themselves to an unfavourable agreement" and were unresponsive to further British efforts to ask the Austrians to postpone or suspend negotiations.¹⁴⁰

The Russians did not take up the Austrian offer before the deadline of 1 February expired. The reason was probably that it was simply not enough. Its failure to include any post-Anschluss capital ignored the core of the Soviet position and caused Kissilev "eine gewisse Enttäuschung."¹⁴¹ There was little economic attraction in the prospect of non-convertible Austrian bonds. In addition, the proposal only outlined the oil settlement in very general terms, and did not mention the Danube Shipping Company at all. Kissilev's comments, as reported by Gruber, brought the discussion full circle, back to Tolbuchin's remarks eighteen months earlier. He emphasised that

Russland eben furchtbar gelitten habe, dass es für die Amerikaner, die keinerlei Schaden erlitten hätten, leicht sei, auch im Materiellen Gesten zu machen, aber wir müssten die russ.[ischen] Schäden, deren Reparatur sich auf Jahre hinaus erstrecken würden, eben anerkennen.

With the Treaty negotiations about to start, the Soviet government evidently preferred to wait and see if anything better would turn up.¹⁴²

¹⁴⁰ British Embassy, Washington, to FO, 20 December 1946, PRO, FO 371/53128/UE6109; British aide-mémoire, 19 December 1946, PRO, FO 371/53128/UE6192.

¹⁴¹ 'Deutsches Eigentum', 12 December 1946, HHStA, BMAA, 113.536 pol-46, K.25, 1947. Later Molotov was to hint broadly that the offer had not been large enough, see Krauland report to Austrian cabinet, AVA MRP 64a, 17 April 1947.

6. German Assets and the "Austrian Question."

By the end of 1946 no solution to the German assets question was in sight. It is hard to resist the conclusion that none was even possible. Regardless of whether or not the Soviet Union intended to bring Austria to her knees, it was clearly not ready to renounce or substantially reduce its claims. No Austrian government could accept these claims and no western government could ignore the Austrian position. The deadlock was complete.

What then was the significance of the often arcane discussions which had taken place over the previous eighteen months for the fundamental problems confronting post-war Austria? It is arguable that it did not lie primarily in the economic effect of the Soviet actions. It is true that these had brought a loss of industrial and agricultural production and, especially in the case of oil, a potential source of hard currency. The uncertainty about the fate of German assets also clearly hindered effective economic planning and the creation of business confidence. Yet even these effects were dwarfed by Austria's wider economic problems. In 1946 her Gross National Product was only 58% of the level of 1913.¹⁴³ Even if the western estimates that the Soviet-seized land could feed between 80 and 100 thousand people per annum were correct, the loss was only marginal in

¹⁴² Gruber, 23 December 1946, HHStA, BMAA, 113.604, Gruber, 8 January 1947, HHStA, BMAA, 105.073 pol-47, K. 25, 1947.

¹⁴³ Felix Butschek, 'Struktur- und Integrationsprobleme' in Erika Weinzierl and Kurt Skalnik (eds.) Die Zweite Republik, Graz 1972, pp.517-537, here p.522.

comparison to the reduction of production of one third suffered by Austrian agriculture since before the war.¹⁴⁴ The problems arising from Austria's integration with the German war economy and the disruption of supplies from the East were no nearer solution than a year before and the few barter agreements Austria had concluded with her eastern neighbours showed little sign of significantly increasing trade. Although the precise extent to which all these problems were exacerbated by the Soviet seizures is difficult to judge, the fact that the Austrian economy recovered after 1949 despite continued Soviet control and exploitation of German assets, suggests that they were not decisive.

The importance of German assets in these eighteen months, therefore, probably lay less in the economic sphere than on the level of western perceptions. A year before western officials had hoped to persuade the Soviet Union to moderate the effects of Potsdam. By now, they would have abandoned Potsdam altogether if they could have. In the meantime they had come to see German assets not merely as a complex source of friction with the Soviet Union but as the most powerful weapon in a Soviet armory aimed at a pro-western Austrian government. Seen in this light, the dispute over German assets appears less as an Allied dispute, which brought the Cold War to Austria, than as an Austro-Soviet conflict of interests which helped fit Austria into the hardening mould of western perceptions of Soviet policy.

The same shift can be seen in another area - the discussions on Austria's war-time role and her post-war status. Some Austrian historiography on this question has been marred by the adoption of a normative approach, in which historians uncritically take over the criteria adopted by the politicians of the time. Thus adherence

¹⁴⁴ Rauchensteiner Sonderfall, p.177; Hiscocks, p.74.

to a view of Austria as a "victim" is seen as a matter for praise and shifts towards acceptance of that view are ascribed to an "educative" process. This results in the implausible argument that conservative Foreign Office officials persuaded pragmatic (or right-wing) British labour politicians like Bevin to show hostility towards equally pragmatic Austrian socialists like Renner and Schärff.¹⁴⁵ In reality the lines of division were different. Ideologically Bevin, his officials and Schärff had a great deal in common. The obstacles to greater understanding were not ideological but arose from the fact that many, across the whole political spectrum, still saw Austria as tarred with the German brush.

Naturally this varied from individual to individual. Bevin himself had a long-standing personal attachment to the Austrian Trade Unions dating back to a visit to Vienna in 1922. He had been actively involved in the condemnation of the suppression of the Vienna workers in 1934 and had strong sympathy for the traditions of "Red Vienna."¹⁴⁶ After the war he seems to have regarded Austrians more sympathetically than Germans, for whom his antipathy is well-known.¹⁴⁷ Some

¹⁴⁵ See Reinhold Wagnleitner, 'Die Kontinuität der britischen Aussenpolitik nach dem Wahlsieg der Labour Party im Juli 1945', Zeitgeschichte, 5, 1978, pp.273-291.

¹⁴⁶ See Alan Bullock, Life and Times of Ernest Bevin, vol. I, London 1960, pp.232, 546-7.

¹⁴⁷ See for example his response to a request for advice from Hynd about a proposed visit by General Körner, the Socialist Mayor of Vienna, in view of earlier British doubts about the visit of the German SPD leader, Schumacher. Bevin minuted that "Hynd ought not to confuse two entirely different situations", Bevin n.d. [23 March 1946], PRO, FO 371/55282/C4654. There is no evidence that Bevin's rare meetings with Walter Wodak, a junior official at the Austrian legation, meant "dass Ernest Bevin schliesslich zu einem Freund Österreichs wurde" (Schärff, p.235). Bevin, 2 July 1946, PRO, FO 371/55282/C4654.

of his senior officials, were less kindly disposed. Kirkpatrick's views have been noted in the previous chapter.¹⁴⁸ The head of the German Department until 1946, John Troutbeck, found it difficult to keep up with the pace of Austria's post-war transition. He responded with irritation to a complaint by Renner that the Allied Commission was acting "unreasonably" by noting:

I have a feeling that the Austrians are not behaving too reasonably themselves. For example they have just asked to be represented at the League of Nations meeting in Geneva, They have proposed a preposterous law allowing them to confer decorations on the Allied armies. And they go on pretending that they never fought against us at all. Nor do they seem to realise that if they were given full independence to-day, the whole country would collapse in chaos and famine.¹⁴⁹

Troutbeck's successor, Patrick Dean, on the other hand, made the shift with greater ease. In response to a hostile Treasury dismissal of the idea of an Austrian loan, he noted that "it is not much good arguing whether Austria's record is black, white or grey. The point now is what do we want to get out of or to make of Austria and is it worth paying and if so how much?"¹⁵⁰ Yet again, the relatively junior Head of the Austrian section, Michael Cullis, held markedly Austrophile views.

Interesting though these differences are, they should not obscure the central point, which is the logic of the post-war polarisation. It was this logic which

¹⁴⁸ See above, p.19.

¹⁴⁹ Troutbeck, April 1946, PRO, FO 371/58200/C3900; see also the incorrect quotation in Wagnleitner, (Diplomatie, doc. 59, p.105, n.1) which is compounded by Stadler's mistaken assertion (Schärf, p. 243) that the remark was a comment on Schärf's visit to London and thus evidence of the alleged hostility of the Foreign Office towards the Austrian socialists.

¹⁵⁰ Waley to Troutbeck, 2 July 1946, Dean, 6 July 1946, PRO, FO 371/55248/C7544.

meant, for example, that by the autumn of 1946 Cullis' austrophilia was more appropriate to the needs of British policy than Troutbeck's suspicion. Even Bevin's personal attachment to Austria, which certainly helps explain the vigour with which he pursued the goal of an Austrian treaty in the following years, should not be overstated.

At the end of October the State Department declared that it did not consider Austria to have been a belligerent. The move caused some embarrassment in Whitehall since the British legal opinion continued to be that she had been.¹⁵¹ Sargent asked officials whether they could not take "a more forthcoming line towards Austria" by agreeing with the Americans "that the Moscow Declaration recognises the status of Austria as a non-enemy state."¹⁵² It was agreed that as long as a formal state of war with Italy existed there was little that could be done. In Sargent's view the divergence of view with the Americans was "in itself regrettable, and must not be allowed to hamper the course of Anglo-American policy in regard to Austria." It was decided that the British view should not be given "undue emphasis or significance."¹⁵³

¹⁵¹Gruber, Befreiung, p.106 f.

¹⁵²Inverchapel (British Embassy, Washington) to FO, 29 October 1946, Cullis, 24-31 October, Burrows, Dean, 31 October, Beckett, 1 November 1946, PRO, FO 371/55250/C13188.

¹⁵³Burrows, 14 November, Beckett, 15 November, Sargent 21 November, FO to Washington Embassy, 7 November 1946, PRO, FO 371/55250/C13398. See also, in relation to the Austria's insistence that as a non-belligerent she could not sign a Peace Treaty, the following exchange in the Austrian cabinet, (AVA, MRP 46, 19 November 1946): Gruber argued that the most important thing was to get rid of the occupation "und um diesen Preis könnte man auch einen Friedensvertrag schliessen. Nach der Erklärung des Staatsdepartements [sic] gilt Österreich als befreites Land. In England gibt es gewisse Schwierigkeiten diesbezüglich, weil
(Footnote continued)

By the end of 1946, therefore, Austria's fundamental problems may not have been any nearer a solution, but she now had the prospect of the help of the most powerful economic nation in the world. The possibility of the United States leaving Austria to fend for herself was no longer a real one. One tangible result could be seen when Clark leapt into the food breach and used his weight in Washington to allow the Austrian government raise the ration scale to 1550 calories for the "normal consumer" at the end of the year.¹⁵⁴ The Americans were soon to take over the financing of crucial deliveries of Ruhr hard-coal from the British.¹⁵⁵

This American commitment was an integral part of the growing conviction that there was a Soviet plan to dominate Austria in the same way as it was dominating eastern Europe. How well-founded this belief was is almost impossible to judge. What certainly is clear is

¹⁵³ (continued)

England den Anschluss anerkannt hat, also aus formellen Gründen de jure diese Frage gelöst werden muss. Je rascher wir den Vertrag bekommen, desto besser ist es. Die Engländer werden wohl kaum auf einem Friedensvertrag beharren." Figl replied, "Wir dürfen nicht einen Friedensvertrag, sondern müssen einen Staatsvertrag anstreben. Nicht nur aus optischen Gründen, denn es hat doch der Friedensvertrag einen Beigeschmack, weil ein Friedensvertrag nur mit einem Feind geschlossen wird. Ich bitte daher, immer nur vom Staatsvertrag zu reden."

¹⁵⁴ Conversation in State Department, 17 September 1946, FRUS 1946, V, pp.369-71; 5 October 1946, Washington talks, PRO, FO 371/58133/UR8506; EXCO/M(46)58, 18 October 1946; Figl to ALCO, 31 October 1946; Inverchapel to FO, 1 November 1946 PRO, FO 371/58134/UR8917; ALCO(M)35, 15 November 1946, ALCO(M)37, 3 December 1946.

¹⁵⁵ On the British 10 million pounds loan, a quarter of which was used to finance these deliveries, see Sargent, 4 September 1946, PRO, FO 371/58132/UR7601; Jennings (Treasury) to Hampshire, COGA, 10 September 1946, PRO, FO 371/58132/UR7659; Mack to FO, 5 December 1946, PRO, FO 371/58136/UR9955.

CHAPTER THREE: AUSTRIA - A DANUBIAN DOMINO?

that by the time the Austrian Treaty talks started in January 1947 the disentangling of actual Soviet economic claims from possible Soviet strategic designs would make agreement difficult if not impossible.

When the Foreign Ministers' Deputies met for the first time on 13 January 1947 they began a series of discussions which was to last until the Austrian State Treaty was signed in May 1955. Yet they can hardly be blamed for anticipating a difficult middle-distance hurdle race rather than an unpremeditated diplomatic marathon. Awareness of the protracted negotiations which were to follow would not, in other words, colour an assessment of the possibilities of an agreement in 1947.¹ If so, what might the basis for an agreement in 1947 have been? Three broad theoretical possibilities suggest themselves. Firstly, a settlement based on the continuation of the war-time collaboration between the Allies. Secondly, a solution which would have placed Austria in parentheses between the East-West divide, as was finally agreed in 1955. Thirdly, a settlement by which both sides accepted Austria's western orientation.

It does not require lengthy argument to conclude that by now the first solution was not on the cards. Such agreement as had existed during the war had been confined to discussion of the outlines of control and occupation, wider decisions on Austria's future social and political development and her position in relation to the rest of central Europe had been deferred. By 1947 even this limited basis of trust and co-operation had disappeared.

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¹ See e.g. Fleiss, 'The Treaty with Austria', 13 January 1947.

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1. The Austrian Treaty

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¹See e.g. Times, 'The Treaty with Austria', 18 January 1947.

but sealed and both psychologically and politically, Austria was on the side of the West. It is true that some Austrian socialists still believed in the possibility of simultaneously establishing a parliamentary, or even socialist democracy, obtaining American economic support and avoiding the hostility of the Soviet Union. But the influence of these views steadily diminished in the course of 1947. As for the People's Party, the strongest party of the government, it saw the Treaty less as a first step towards neutrality than as the prelude to increasing Austria's links with the West. In short, even if all the implications had not yet been worked out, the decision about Austria's future which had been deferred during the war had by now largely been taken.

It appears, therefore, that a viable agreement on Austria in 1947 would have had to entail Austria's western orientation. There were two pre-conditions to this; firstly, that the Soviet Union, whatever plans it might or might not have previously had, would now accept that its sphere of influence stopped at the Austro-Hungarian border. Secondly, that the West would accept that this was indeed the case. It will be argued in this chapter that although the first condition probably was fulfilled by early 1948, the second was not and, as a result, no agreement on the Austrian Treaty was reached up to May 1948.

By early 1947 western suspicion of the Soviet Union was, of course, widespread. Potentially, at least, every non-Communist country was regarded as "under threat" but there were two linked reasons why the threat appeared especially great in the case of Austria. On the one hand, any likely solution to the German assets problem seemed to entail a Soviet enclave in eastern Austria. On the other hand, Austria's close links with her eastern neighbours suggested that sooner or later she might follow the same route as they had.

The German assets problem lay at the centre of the discussions which took place in London and Moscow. Before it was confronted, however, the Deputies usefully eliminated several lesser points of disagreement. Despite the heat and headlines these discussions generated they were essentially skirmishes before the main battle.² Two of these skirmishes - concerning Austria's "responsibility" for participation in the war and western compensation claims against Austria - will nevertheless be discussed here, if only in order to show that their importance has sometimes been overstated.³

The legal interpretation of the Anschluss and of Austria's role in the war was not a major issue in 1947 although the discussions on it are an interesting indication of the changes which had taken place since the Moscow declaration of October 1943. What they reveal is not any particular reassessment of Austria's war record but Austria's transition from a belligerent - of sorts - to a western ally. In May 1946 Troutbeck had noted that "Austria is at least as much in an 'enemy' position as any of the satellite countries - if anything more so, inasmuch as she had already for some period before the war been an integral part of Germany and continued in the war with Germany until the end."⁴ The first British draft Treaty of June 1946 reflected something of this view. At any rate it diverged sharply from that held in Austria. Late in December 1946 the

²For details of the discussion in London see Stourzh, Geschichte, pp.21-2; for the edited British record of the proceedings of the Deputies from 16 January to 25 February, see PRO, FO 371/63965/C9303; see also see also Clark to Marshall, 15 February 1947, FRUS 1947, II, pp.131-25 and Deputies' report, CFM/D/47/A/102, 25 February 1947, loc.cit., pp.134-8.

³For the Yugoslav claim to southern Carinthia see Chapter Four.

⁴Troutbeck to Burrows (UK Delegation, Paris), 9 May 1946, PRO, FO 371/55247/C4881.

Austrians had expressed the hope that the preamble to the Treaty would not only recognise Austria as a victim of Nazi aggression (and thus entitle her to lodge claims against Germany) but also mention Austria's contribution to her own liberation.⁵ When they were now shown the British draft Austrian officials complained that it was "a treaty of peace concluded with a country vanquished in the war."⁶

Whether the British or the Austrian view was closer to the truth is less important than the way the British view shifted. The draft shown to the Austrians represented their position of six months before. Since then they had moved towards the Americans and Austrians and this was now reflected in the redrafted version.⁷ In any case, sensitive though the Austrian government were about the formula adopted to refer to Austria's role in the war, they were much more concerned about any economic conclusions which might be drawn from it. This is shown by the relative equanimity with which the much

⁵James Marjoribanks, then head of the Peacemaking Section of the Foreign Office, thought that some reference to "the assistance of the democratic elements" on the model of the Italian Treaty might be included "if the German Department feel that this is an adequate representation of the facts". The British Deputy, Samuel Hood, by contrast, considered it "silly". Austrian Note, 23 December 1946, Z1. 146.678-6VR/46, minutes 10-18 January 1947, PRO, FO 371/63945/C176. See also the Austrian official publication, Rot-Weiss-Rot - Gerechtigkeit für Österreich, (part one), Vienna 1946 and Rauchensteiner, Sonderfall, p.197.

⁶Internal Austrian Foreign Ministry memorandum, 10 January 1947, [Austrian translation], 147.001-6/VR/47, PRO, FO 371/63945/C785.

⁷The third paragraph of the British draft preamble originally stated that: "Austria was compelled, as part of Germany, to participate in the war against the Allied and Associated Powers and Germany made use of Austrian territory and resources for this purpose", CFM(46)151, 26 June 1946, PRO, FO 371/55248/C7297. The revised version stated that "in consequence of [the
(Footnote continued)

tougher formulation later produced by the Deputies was viewed in Vienna.⁸

The importance of one of these economic questions, the compensation to be paid by Austria to United Nations nationals for war damage, has also sometimes been inflated. British and French attempts to protect their economic interests have been taken as evidence that Austria was fighting a battle on two fronts: against the economic claims of the West on the one hand and those of the Soviet Union on the other.⁹ It will be argued here that this interpretation is mistaken. Three main points need to be made. Firstly, western claims were of a vastly smaller order than Soviet claims. That the western claims were also unwelcome to the Austrian government does not weaken the force of this point. Secondly, the main reason why the Austrian government resisted the call to compensate United Nations nationals for war damage was because they feared that it would lead to a flood of claims from former Austrian citizens, mainly Jewish, who had left Austria after the Anschluss. Thirdly, the ability of western governments to assert

⁷ (continued)

Anschluss] Germany made use of Austrian territory and resources for the purpose of waging war against the Allied and Associated Powers", CFM/D/47/A/13, 24 January 1947, PRO, FO 371/63965/C1447.

⁸ See the report to the Austrian cabinet on the results of the London conference, which considered it merely "wünschenswert" that Austria should be described as a liberated nation. and stated that the question of whether Austria had a 'responsibility' (Soviet version) 'responsibilities' (French version) or 'consequences' (Anglo-America version) was "nicht so entscheidend, dass deshalb der Vertrag aufgehoben werden sollte." Bericht über die Ergebnisse der Londoner Konferenz, 3 March 1947, Beilage, AVA, MRP 59, 4 March 1949 (also HHStA, BMAA, 147.600-6VR, K.17, 1947); see also Vienna to Moscow, 10 March, Marjoribanks 13 March 1947, PRO, FO 371/63958/C4060.

⁹ See for example Wagnleitner, 'Walter Wodak in London', pp.217-242 and, in part, Stourzh, Geschichte, pp.37-8.

these claims was substantially inhibited by their over-riding political need to support the Austrian government.

The main western economic claims were in the oil industry. The oil companies hoped in the first case to regain the exploration rights (Freischürfe) which they had held, directly or indirectly, before the Anschluss. With the passing of the "Bitumen Act" in August 1938 these rights had passed to German companies. Many of these areas had been developed under the Third Reich and their value substantially increased.¹⁰ The oil companies wished to assert their claims in three ways: firstly, by excluding from the definition of German assets all transfers dating from the Anschluss (rather than merely from the outbreak of war), secondly, by having the transfers of exploration rights classified as invalid on grounds of duress, and thirdly, by having German or Austrian incorporations held indirectly by western companies recognised as United Nations assets.

As a re-insurance against failure to achieve this aim the oil companies also sought protection under the provisions for compensation for war damage to United Nations nationals. What would this mean in practice for Austria? Compensation in dollars was out of the question. Compensation paid in Austrian schillings was of little interest to the oil companies. In any case it would hardly have amounted to more than 100 million schillings.¹¹ The aim of the British draft (Article 23),

¹⁰ Ownership of a Freischurf bestowed the right to exclude any other exploration from a circular area drawn with a radius of 425 metres from a given point. For details of oil production see Appendix Two; also Stourzh, Geschichte, p.183, n.53.

¹¹ Austrian estimates of the total burden entailed in the British compensation proposals varied from 3-4,000 million schillings (Arbeiterzeitung, 12 March 1947) to 5-7,000 million schillings (Ayrton-Gould to Attlee, 5 March 1947, enclosure) PRO, FO 371/64938/CE214). Rough
(Footnote continued)

therefore, was to strengthen the oil companies' hand in any future negotiations with the Austrian government over allocation of exploration rights.¹² Whether this would also be in Austria's interests clearly depended on the details agreed, but it is not self-evident that it would be harmful.¹³ It therefore seems clear that, insofar as the claims of the oil companies were concerned, the British proposals hardly justified the fear that "Austria's economic doom would be sealed."¹⁴

In fact the main Austrian concern lay elsewhere - in the possibility of being made liable to pay compensation to those former citizens, mainly Jewish, who had fled after the Anschluss. From its earliest days under Renner, the Austrian government had set its face firmly against making any special provision for Jewish refugees, arguing that it would be unfair to single out one persecuted group for especially favourable treatment.¹⁵ By defining United Nations citizens as those holding citizenship on 8 May 1945 and taking the

¹¹ (continued)

Foreign Office estimates put it at 1,500 to 2,000 million schillings, loc.cit. British oil claims under this heading might at the most have amounted roughly 2/3 of £3-4 million or (at the official rate of 40 Sch.=£1) 80 to 107 million schillings. See Gregory, 16 April 1947, PRO, FO 371/65056/CE1850.

¹² In talks with the Americans in November 1946 Berthoud had put forward a tentative suggestion of a 50-50 joint company with the Austrian government. Apparently because of American concern about a possible precedent for Persia the scheme was not pursued. Record of Anglo-American informal oil talks, 19-30 November 1946, PRO, FO 371/53056/UE5884.

¹³ See for example the recommendation of Austrian experts in May 1947 that the rights be redistributed in a three-way split between the Soviet Union, the Austrian State, and western oil companies, 'Nachtrag zum Gedächtnisprotokoll vom 30. 5. 1947 über die 3. Sitzung des Österreichischen Experten-Komitees', HHStA, BMAA, 148.434-6VR/47, K.24, 1947.

¹⁴ Internal Austrian Foreign Ministry memorandum, 10 January 1947, [Austrian translation], 147.001-6VR/47, (Footnote continued)

Anschluss rather than the outbreak of war as its starting-date the British proposal meant that those Jewish refugees who were now naturalised American or British citizens might, qua United Nations citizens, be entitled to claim compensation for property which had been taken from them by force or "aryanization". As an Austrian delegation explained early in February:

In no circumstances could the Austrian Government pay compensation to Austrian nationals who had left the country and become citizens of one of the United Nations on a different basis from Austrians who had remained and suffered in Austria.¹⁶

The Austrian government, therefore, began a vigorous lobbying campaign aimed at persuading the West to shift their ground. This campaign had two prongs - an official one conducted through diplomatic channels and an unofficial one led by Walter Wodak, First Secretary of the Austrian legation, through his contacts within the Labour Party.¹⁷ On the official side Gruber told Harvey, Assistant Under-Secretary at the Foreign Office, that there was a danger of the compensation provisions "arousing afresh the embers of anti-semitism in Austria, whilst it would also appear unfair that these Austrians who had escaped should receive better terms than those who had remained and been placed in concentration camps."¹⁸ Wodak, on the other hand, tended to couch the

¹⁴ (continued)
PRO, FO 371/63945/C785.

¹⁵ See AVA, KRP 3, 4 May 1945.

¹⁶ Stevens, 8 February 1947, PRO, FO 371/63952/C2462.

¹⁷ The suggestion by Wodak (Wagnleitner, 'Walter Wodak in London', p.223) of "Leisetreterei" on the part of Gruber, presumably as a result of the influence of the oil companies, is an one example of Wodak's highly subjective views and is not supported by British documents.

¹⁸ Conversation between Harvey and Gruber, 11 February 1947, PRO, FO 371/63955/C2941. See also Figl's comment to Mack (30 March 1947, PRO, FO 371/63973/C5199) that
(Footnote continued)

objections in terms of a threat from American capitalist interests. He argued - with considerable energy - that acceptance of the British provisions would be "to hand over a considerable part of our economy to American capital." Labour MPs like Barbara Ayrton-Gould pursued similar arguments in representations to Attlee.¹⁹

This lobbying soon began to show results. Austrian reluctance to make special provision to their former citizens was viewed sympathetically by British officials both in London and Vienna. In the Control Office Chaput pointed out the "great hardship" which would result from the payments of rents to naturalised Jewish refugees ("15% of the real estate in Vienna").²⁰ Changing the definition of a United Nations citizen to exclude those who had become naturalised after 1938 proved impossible, however. The Americans, like the British and French, could not openly discriminate against one group of their citizens. Marjoribanks noted that such a move "would be very difficult to defend publicly and would give rise to

¹⁸ (continued)

"there were a large number of property owners, who were Austrian at the outbreak of the war, but who had become naturalised, particularly in America, prior to the termination of the war. Under the definition as it now stood it would be necessary for the Austrian government to compensate all these former Austrian citizens; and they could not possibly afford to."

¹⁹ Wodak to Bevin, 16 February 1947, PRO, FO 371/63979/C3462; Wodak to Schärf, 17 February 1947, conversation between Wodak and Hynd, 10 February 1947, Wagnleitner, Diplomatie, docs. 281/Beilage, 291; Interdepartmental meeting, 13 February 1947, PRO, FO 371/63952/C2491; Ayrton-Gould to Attlee, 5 March 1947, McNeil to Bevin (Moscow), 27 March 1947, PRO, FO 371/64938/CE214.

²⁰ Chaput, 7 February 1947, PRO, FO 945/43; he added a curious twist to the argument by the comment that the article would "permit persons who supported Dollfuss and Schuschnigg as Austrian fascists, and who left Austria for racial reasons after the Anschluss, to get preferential treatment over similar fascists who remained in Austria." See also Mack to FO, 7 March (Footnote continued)

howls of protest from the Jews who consider they have a better right to compensation than anyone else."²¹

If there was to be no change in the definition of a United Nations citizen the level of compensation stipulated became all the more important. The American and Soviet governments accepted the Austrian suggestion of "national treatment", which meant that United Nations citizens would receive the same level of compensation for war damage as was given to Austrian citizens - in effect virtually none. Both the British and the French proposed compensation (in schillings) to the level of two-thirds of the damage caused, but by the end of March the diplomats had begun to retreat on the way to Moscow and moved to a fall-back position of "reciprocal treatment". This would have required Austria to provide the same level of compensation to the United Nations nationals as the respective countries provided to Austrian citizens and would have opened the way to a series of bilateral negotiations. The precise outcome of these was not easy to predict but it would probably not have stopped former Austrian citizens asserting their claims.²²

The main British concern in Moscow was to get a Treaty and, on the whole, officials were as unwilling to clash with the Austrian government on compensation as they had been over nationalisation.²³ It is true that

²⁰ (continued)

1947, PRO, FO 371/63979/C3968.

²¹ Marjoribanks, 5 March 1947, PRO, FO 371/63979/C3661.

²² Gregory to Stevens, 21 February 1947, PRO, FO 371/63979/C3082; Marjoribanks, 24 March 1947, PRO, FO 371/64938/CE46.

²³ See the failure of the oil companies' lobbying on nationalisation, Oil Working Party, 1st meeting, 6 February 1945, Burrows, 6 March 1947, PRO, FO 371/64005/C3857; for further meetings see PRO, FO 371/64952/CE1050/CE785.

Henry Gregory, of the Board of Trade, was mainly concerned with the protection of British economic interests and fought a tenacious rearguard battle to resist further compromise, painting a (rather implausible) picture of the grave political consequences which might follow any concessions. Gregory was supported by Bevin's senior economic adviser at the conference, Hall-Patch, who argued that the British should defend their interests "with the tenacity of a poor man defending the last of his life-time's savings."²⁴ Nevertheless, Bevin, as Gruber soon realised, was sympathetic to the Austrian arguments and he was supported by the bulk of his officials:

Nach Darlegung des Standpunktes in der Frage der Kompensation erklärte BEVIN, dass man in der Judenfrage [sic!] eine uns befriedigende Lösung finden werde, dass er zwar die Kompensationsforderungen nicht völlig fallen lassen könne, dass er aber alles tun werde, um uns entgegenzukommen.²⁵

With American help, Gruber was able to hold out against the British compromise proposal. He asked Clark to stick to his proposal ("unter allen Umständen") in order to give the Austrians more time to lobby the British. Three different proposals - the original Anglo-French one for two-thirds compensation, the American and Soviet one for "national" treatment and the British compromise proposal for "reciprocal" treatment - were referred to the Foreign Ministers.²⁶ On the last day of the Conference Bevin made it clear that he was

²⁴ Gregory, Hall-Patch, 16 April 1947, PRO, FO 371/65056/CE1850.

²⁵ 'Zusammenfassung der Aussprachen BEVIN [...etc]', n.d., HHStA, BMAA, 77-StM/47, pol-47, K.16, 1947. Gruber to Bevin, 76-StM/47, 8 April 1947, Cullis, Vallat, Mack, 15 April 1947, PRO, FO 371/65056/CE1850.

²⁶ 'Taktischer Verlauf der Moskauer Konferenz', HHStA, BMAA, 107.166, pol-47, K.25, 1947, ['Taktischer Verlauf']; see also Krauland's report, AVA, MRP 64a, 17 April 1947.

"prepared to adopt an attitude favourable to Austria on the question of compensation." In spite of his comment that he "could not sacrifice British and United Nations property as the price of an Austrian Treaty" it was clear that it was only a matter of time before the British came into line. At the end of the year they did so.²⁷ On the related question of special compensation for racial minorities the Austrians also gained ground.²⁸

The two skirmishes which preceded the discussions on German assets resulted, therefore, in an Austrian set-back on the largely symbolic question of her position after the Anschluss but a large measure of success in her attempts to avoid any major obligations towards her former nationals.

2. German assets in Moscow

The German assets question overshadowed all discussions on Austria at the Moscow Conference. As has been argued in the previous chapter, technical economic and legal questions, which were already complex enough in their own right, had now become overlaid with wider political and strategic perceptions. The Soviet claim to German assets was now widely seen not merely as an exorbitant economic demand but as a Trojan horse, which, if accepted, could lead to Austria's collapse and communisation. In examining the debates which followed, it is important to disentangle the underlying features from the formidable complexity of day-to-day

²⁷ Conversation between Bevin and Gruber, 24 April 1947, PRO, FO 371/63962/C6348; see also Gruber's speech to the Austrian parliament, 7 May 1947, Csaky, doc.55.

²⁸ See Article 44 of the Treaty text of 29 March 1947 as amended up to 15 April 1947, FRUS 1947, II, pp. 516-73, here 548-9; Gruber to Bevin, 20 April 1947, HHStA, BMAA, n.n. K.19. 1947.

negotiation.²⁹ Put simply, western views on the question can be divided into two categories, the hope that the Soviet enclave could be "made safe" and the fear that it could not. On the first view the Russian claim could be conceded as long as it was kept as small as possible and subjected to legal restrictions. The second view held that no stipulations would be adequate or, in a much-repeated phrase, that "no Treaty was better than a bad Treaty." It would be wrong to identify two clear-cut groups holding these views since views changed and all were ostensibly concerned with achieving an acceptable settlement. Nevertheless it seems fairly clear that in the course of the Moscow Conference, Bevin, if not all his officials, moved closer to the Austrian delegation in believing that the Trojan horse could be tamed while many in the American delegation became increasingly convinced that it could not.

The main battle-ground was fought over the definition of the German assets to be adopted. The western definition excluded a wider circle of property than the Soviet one. Adopting the same definition as had been used in the "satellite" Treaties it excluded transfers effected by "force and duress." By contrast the Soviets insisted that only assets acquired by "direct forcible action" should be excluded. What would the difference mean in practice? Very few people knew. But those who were familiar with the Austrian situation realised that the large degree of informal penetration which had taken place during the Anschluss meant that even the western definition would leave the Russians with a large number of companies. British economic experts in Vienna concluded that neither definition was

²⁹For a detailed comparison of the different drafts see Lorie memorandum, 26 February 1947, PRO FO 371/65008/CE180. For a summary of the initial lower-level discussions see Hood (UK Delegation, Moscow) to FO, 15 March 1947 PRO FO 371/65050/CE275. On the Conference in general see Bullock, Bevin, pp.357-92.

satisfactory. Although they predicted that the Soviet definition would lead to "the economic and eventually the political subjection of Austria to Soviet domination and extension of Soviet influence and authority through the whole country"³⁰ they failed to state in what way the western definition differed. Robb noted that they were apparently "reluctant to recognise that there must remain, even after a most favourable settlement of this question, a considerable degree of Soviet economic penetration similar to that already in existence, although reduced in scale as well as less dangerous to the Austrian economy by virtue of the removal of Soviet occupation forces."³¹

Considering this uncertainty, the West's readiness to make concessions was clearly also related to the general negotiating atmosphere at Moscow. By the time the Foreign Ministers came to discuss Austria for the first time at the end of March it was thick with mistrust. Bevin's Private Secretary, Pierson Dixon, provides a telling account:

This [claim to German assets] is a tremendous Russian [?] romp to seize practically the whole of Austrian industry on the grounds that Germany took over this and that probably from 1938 onwards. We pressed yesterday + today that we should define "What is a G[erman] asset in Austria?" All Mol[otov]'s arguments today were either dishonest, or directed to the proposition that we are denying G[erman] assets in Austria to Russia, which of course we are not doing. Marshall got quite tough, but S/S, after explaining our contention v.[ery] clearly, manipulated the differences into a reference to the unfortunate Deputies, who will certainly not be able to agree.³²

³⁰Vienna to Control Office, 11 March 1947, PRO, FO 943/250.

³¹Robb to Hill (Control Office), 17 March 1947, PRO, FO 371/65050/CE245.

³²'Day to day notes', 28 March 1947, Dixon Papers[DP]. See also summary by Hood, 7 April 1947, PRO, FO 371/63961/C5734.

With the talks grinding to a halt in the second half of March, the arrival of the Austrian delegation undoubtedly provided an important new impetus. Like the British in Vienna, Gruber realised that any agreement on existing lines would result in a sizeable Soviet enclave in eastern Austria. For precisely this reason he had tried over the past year to gain acceptance for the principle of a general presumption that duress had been involved in post-Anschluss transfers. Having failed to do so, however, he was - unlike the British in Vienna - prepared to cut his losses, accept an enclave as inevitable and turn to the question of "dealing" with it by means of western capital and Austrian administration. As he told his officials after the conference:

Meine Idee: es wird uns nur sehr schwer gelingen, Österreich total vom russ.[ischen] Einfluss zu säubern, das kann nur sukzessiv gehen, erster Schritt Abzug der Besatzung. Vorher kann die westliche Kapitalhilfe nicht zum Tragen kommen.³³

Gruber's argument was that since Austria was firmly anti-communist, evacuation would mean a western "gain". The West should therefore be prepared to go more than half-way to make concessions. Above all, the difference between the western and Soviet definitions should not be made the crucial issue.³⁴ Gruber tried - with increasing vehemence - to persuade western delegations of this, arguing that the concrete difference between the two sides amounted to only between 60 and 80 firms.³⁵ By the end of the conference

³³'Protokoll über die Besprechung im BMAA', 29 April 1947, HHStA, BMAA, zu. z1 107.106-47, K.25, 1947.

³⁴Gruber, Befreiung, p.135.

³⁵On the western definition the Soviet Union would receive 80 to 100 factories, on the Soviet definition "about 160", Gruber to Hood, 1 April, PRO, FO
(Footnote continued)

he was urging acceptance of most of the Soviet draft on German assets since there were "no vitally decisive objections against the Soviet proposal to Article 35 provided that a half-way bearable definition of German assets could be agreed upon and that the prohibition of nationalisation should be temporarily limited."³⁶

It is striking how, in arguing along these lines, Gruber had shifted his ground since the year before. He was now asking for precisely the kind of concessions which, he had previously implied, would be the first step to a Soviet take-over of Austria. Whereas before he had probably overstated any Soviet threat he was now concerned to minimise it. The difference can be explained by the fact that a year before, he had been seeking to draw America into a commitment to Austria. Now, having gained that commitment, he was attempting to harness it to Austrian rather than American ends. The second aim was to prove more difficult than the first.

The response of western delegations to Gruber's pleas was mixed. Within the British delegation Mack, who had flown from Vienna, thought it "childish of Dr. Gruber to think that the subjection of concerns taken over by the Soviet to Austrian law will enable the Austrian government to take them under their control." Hood endorsed this view and Gregory criticised the likely harm to British economic interests which Gruber's proposal would mean.³⁷ Bevin, however, was more

³⁵ (continued)

371/64101/C14045; see also Austrian analysis of 211 concerns, 8 April 1947, 82-StM/47, PRO, FO 371/65011/C1804; Gruber, Befreiung, p.127 ff. The Austrian figures did not, apparently, address the problem of German investment in existing firms or the complexities of the oil industry.

³⁶ Austrian memorandum, 89-StM/47, 15 April 1947, HAW and PRO, FO 371/65011/CE1852.

³⁷ Austrian memorandum, 1 April 1947, Mack, 7 April, Hood (Footnote continued)

sympathetic. Although he strongly attacked Molotov for seeking to profit from Nazi wrongdoing - an argument which seized the common ground between both western and Austrian claims - he evidently had increasing doubts about his case. This emerges clearly from a letter he wrote to Attlee as the final round of top-level discussions started on 16 April:

I do not know what the outcome of this discussion will be today. On the one hand I am told that it is better for Austria to have the Treaty even if we have to yield on this question of German assets, while on the other hand I get messages conveyed to me from other parties in Austria that it would be fatal if I did it. It is a difficult thing to decide. It all comes out of Potsdam because we failed to give a definition of German assets and we have taken the line that the Soviets ought not to profit by the rascality of Hitler. We have made proposals as to debts and also as to machinery for determining the definition of the German assets so as to exclude those taken by Hitler under force and duress during the period of the Anschluss.³⁸

Within the American delegation there were fewer doubts. There, the view was gaining ground that no Soviet enclave could be "made safe" and increasingly acrimonious exchanges with Gruber resulted. According to Gruber's (not always reliable) account:

Meine Hauptsorge war, ...dass man aus der Frage des deutschen Eigentums eine Prestigefrage machen würde, die es schliesslich keiner Macht mehr gestatten könnte, von ihrer Formel abzuweichen....Ich habe....meinen ersten Besuch bei MARSHALL dazu benützt, auf die Dringlichkeit des Vertrages hinzuweisen, um ihn zu bitten, das Ausserste zu unternehmen, um in der Frage des deutschen Eigentums ein brauchbares Kompromiss in Moskau zu erzielen. CLARK zeigte sich über all

³⁷ (continued)

8 April 1947, PRO, FO 371/64102/C14045; Gregory, 15 April 1947, PRO, FO 371/65011/CE1852.

³⁸ Bevin to Attlee, 16 April 1947, printed in Francis Williams, A Prime Minister Remembers, London 1961, p.157.

diese Vorgänge sehr erbittert und sprach dauernd von "surrender" und von Übergabestimmung der Österr[eichischen] Delegation...

Schon nach wenigen Tagen stellte sich heraus, dass man auf dem Wege des Formelaustausches kaum zu einem Ergebnis gelangen werde können. Ich schlug daher CLARK vor, dass, wenn eine Einigung auf dieser Basis nicht zustandekomme, die Österr[eichische] Regierung eingeladen werden möge, ihre Betriebslisten vorzulegen. Anhand dieser Betriebslisten werde es auch einer dem Prestige entzogenen Basis wahrscheinlich leichter möglich sein, ein Kompromiss auszuarbeiten. CLARK wollte von dieser Idee zunächst absolut nichts wissen und meinte, sie störe sein Konzept, die amerik.[anische] Formel auszudrücken. In der Folge versuchte ich mehrmals CLARK begreiflich zu machen, dass der "real issue" die Grenze und unsere Souveränität seien und nicht sosehr ein bestimmtes Wort in der Formel für das deutsche Eigentum. Er erklärte aber, ein Abgehen von seinen Minimalpunkten sei für die Vereinigten Staaten völlig untragbar. Selbst wenn die Besatzung mehrere Jahre dauern würde, könnte seine Regierung einen solchen Vertrag nicht unterschreiben.³⁹

Gruber's belief that it was the Great Powers' concern with prestige which was the obstacle to agreement contains some truth but overlooks the substance of the American position. Clark's memoirs, on the other hand, hint at debates within the American delegation but are rendered less credible by an attempt to taint the State Department officials of the American delegation with "appeasement". Clark suggests that Cohen's determination to apply the formula of "force and duress" used in the satellite treaties would have meant "selling the Austrian state down the river" and he claims to have strongly opposed the proposal.⁴⁰ The suggestion that it was the clauses on German assets in the satellite treaties which had resulted in those countries' absorption into the Soviet sphere is an obvious red herring. In addition, Clark's account

³⁹'Taktischer Verlauf'. see also Gruber, Befreiung, p.134.

⁴⁰Mark Clark, Calculated Risk, New York 1950, p.489.

obscures the fact that it was precisely in adhering to the allegedly weak "satellite formula" for Austria that the Americans were confronting the Russian position. The Russian argument, after all, was based on precisely the contention which Clark claims he himself made within the American delegation - that the position of German assets in Austria was different from the rest of eastern Europe and therefore required a different definition.

On 18 April the Americans presented a compromise proposal which, though dropping some of the stipulations protecting United Nations property, maintained their position on "force and duress."⁴¹ Dixon records the following reactions:

This may be [the] breaking-point of the conference and 4 Power relations]. Mol[otov] cautiously says that they are studying this formula with a view to "bringing view closer together." It looks as if he doesn't want a break, knowing the American mood.

Mol[otov] goes on to make all sorts of ifs and buts. Bidault, as often on these occasions, helpful. S of S.[Bevin] conciliatory.

Marshall says he has impression we are further apart than ever. Mol[otov]'s proposals would mean no real independence for Austria. Big stuff. Silence. Bidault "no other words?" Mol[otov] merely rebuffs a charge by S/S that Russia is extracting hidden reparations from Austria (this is really so, as the Russian zone exports to Russia the coal we sent in from the Ruhr for the Austrian economy. The more one sees of the methods of these people the more they appear as thieves and tricksters.)

Atmosphere has been tense for past hour. Marshall quotes Am[erican] figures to show that effect of Soviet proposals would be to give them 100% control of this production, 95% of that. Mol[otov] retorts that in each of the 3 100% examples quoted, there was only one factory. "It is easy to speak of 100% where there is only one factory, and this, of course goes to Russia." (Thus giving his case away and showing that what they are after is possession.) No agreement. Proceed to art[icle] 37. Marshall chucks away brackets right and left, presumably in order to contrast Soviet

⁴¹US Proposal, CFM(47)(M)141, 18 April 1947, Gregory, 18 April 1947, PRO, FO 371/65011/C1805; see also Gruber Befreiung, p. 138.

intransigence with American responsibility. Never has the shameless rapacity of Soviet policy been so apparent. The division is complete. The Western Powers want Austria to live. Russia wants her to moulder under Soviet domination. Unless the Soviets do a real volte-face, give up their charming double policy of loot and domination, there is not a chance of agreement - or of 4-Power unity.

Bidault after the meeting tackled the S of S with me as interpreter and asked why we went on wasting our time and being made fools of. He is hopping mad to get back to Paris. E.B[evin] promises to end the thing decently and "sans drame."⁴²

Two days later, however, Dixon, probably reflecting Bevin's attitude, was less pessimistic. Now he recorded that "there is some reason to think that the Soviets do not want to absorb [German assets] totally. But only the income. So an Austrian Treaty is a possibility. The Russians look as if they want an agreement on it."⁴³ This judgement seems to be corroborated by the later account by the Yugoslav diplomat, Milutinović. Three years later he told Wodak how Molotov had suddenly asked to see the head of the Yugoslav delegation, Edvard Kardelj. Molotov then told him

dass er glaube, dass der Staatsvertrag mit Österreich wahrscheinlich zum Abschluss gebracht werden könne, da die Sowjetunion ihre Forderungen auf die German Assets befriedigt erhalten werde und dass deshalb die Jugoslawen ihre Ansprüche auf Kärnten fallen lassen müssen.

After consulting with Belgrade the Yugoslavs had agreed to withdraw their territorial claim, apart from two power stations near the border on the River Drau.⁴⁴

This lends some credence to the view that Molotov

⁴²Large Diary, 18 April 1947, DP; see also 'Taktischer Verlauf'.

⁴³Ibid., 20 April 1947.

⁴⁴Wodak, 11 August 1950, Wagnleitner, Diplomatie, doc. 992. See also below, p.167 ff.

was now trying to clear the decks for some horse-trading. A Soviet concession on the Austro-Yugoslav border would be made in return for western concessions over German assets. The following day the Foreign Ministers went through the Deputies' report again. "Bevin remarked, 'so if we could agree on articles 5., 34.⁴⁵ and 35, we could have a treaty?.' Molotov] replied 'there is not much else left to settle.'"⁴⁶ In the closed session which followed Molotov repeated his fears that the Austrians would wriggle out of an agreement since "the exemption of property acquired by force or duress would reduce the assets to nothing." Then he pulled out the Yugoslav card:

M. Molotov enquired whether the acceptance of the ... [Western draft of Article 5 on Austria's boundaries] would prevent Austria and Yugoslavia coming to an agreement over frontier rectification at a future date. MR MARSHALL and M. BIDAULT stated that in their opinion nothing in the Article would stand in the way of such agreement. MR. BEVIN said that if Article 5 was accepted in its present state it could go on record that this did not preclude mutually and freely negotiated agreement for rectification of frontiers at a later date if Yugoslavia and Austria so desired. M. Molotov said that he considered these statements of great importance and asked for time to study the Article further.⁴⁷

No deal was made. Bevin's interest in Molotov's suggestion was not shared by Marshall. No settlement of the border could make the Soviet draft on German assets appear acceptable in the eyes of the bulk of the American delegation. The following day the discussion returned to the familiar pattern. The British presented

⁴⁵Reparations, of which Yugoslavia claimed 150 million dollars.

⁴⁶Dixon notes, 21 April 1947, DP.

⁴⁷CFM, 2nd Informal Meeting, 21 April 1947, PRO, FO 371/65041/CE1878; Gruber's account (Befreiung, pp.141-4) uses the British records, though it wrongly suggests that this exchange came during the first informal meeting.

a new draft definition of German assets which, Bevin stated, "had been drafted to allay the fears expressed by the Soviet Delegation. It was a genuine attempt to meet the arguments produced by M. Molotov." It would have put the onus on the former owner to prove his claim with provision for arbitration. Molotov rejected the text as likely to "lead to endless disputes and the final settlement of the reparation question would be delayed." Marshall concluded that "the present discussion was unprofitable and was leading nowhere"⁴⁸ and at a further fruitless meeting the same day proposed an adjournment, observing once again that "further discussion on this basis was a waste of time."⁴⁹

Bevin was less sure and, according to Gruber, the British described Marshall's statement as an ultimatum.⁵⁰ Molotov had argued that the oil was essentially a German asset because western oil companies had sat on their options and had made no significant exploration before the Anschluss. On 22 April Bevin wrote another letter to Attlee:

The Russians have their eye on the oil interests and M. Molotov as good as said this evening that he would not be done out of them.⁵¹

The next morning he urgently signalled the Foreign Office to send more details ("for tomorrow without fail") of the position of the British oil companies in 1938:

There appear to be allegations that the big oil interests secured exploitation rights and failed to develop them at a time when development would have

⁴⁸CFM, 3rd Informal Meeting, British record, 22 April 1947, PRO, FO 371/65041/CE1879.

⁴⁹CFM, 4th Informal Meeting, 22 April 1947, PRO, FO 371/65041/CE1877.

⁵⁰'Taktischer Verlauf.'

⁵¹Moscow to FO, Personal for P.M. from S. of S., 22 April 1947, PRO, FO 800/439.

been advantageous to [the] Austrian economy. The Secretary of State is most anxious to have the facts on this allegation in order to determine his position and how far he can fight the case.⁵²

That afternoon, perhaps in the hope of gaining time, he proposed another read-through by the Deputies of all except the four most contentious articles. According to Dixon:

This seemed to embarrass everyone....Molotov said categorically that he had nothing to add on the important points but had no objection to Deputies meeting to discuss minor points. Bidault asked what point there [was] in Deputies meeting.

S/S. You never know your luck.

Molotov repeats nothing to add on the big points. This is definite.⁵³

The limited information on the oil transactions which officials in London could gather in the short time available probably arrived after this meeting. In any case it would probably not have been enough to justify a major initiative to revive the dying Conference.⁵⁴ Bevin told the British delegation on the final morning:

he had been considering carefully the idea of having this question [of German assets] referred to a Commission, and had indeed hoped to have an opportunity of putting this suggestion forward at the previous evening's meeting but the finality of Mr. Marshall's statement had made this impracticable. He was determined to get down to the facts of the assets question and to discover what was really involved.⁵⁵

⁵²UK Delegation, Moscow, to FO, 23 April 1947, (sent at 11.04 a.m.) PRO, FO 371/64952/CE1555; Robb recorded "I had thought that this information was in the delegation's possession. Our position is not as strong as I would like it to be."

⁵³Large Diary, 23 April 1947, DP.

⁵⁴FO to Moscow, 23 April 1947 (despatched 8.10 p.m., London time) PRO, FO 371/64953/CE1555.

⁵⁵UK Delegation meeting, 10.00 a.m., 24 April 1947, PRO, (Footnote continued)

That afternoon the Conference wound up with agreement only on the establishment of a commission to meet in Vienna and investigate the concrete facts of German assets. When the first facts about oil arrived in London early in June they confirmed some of Bevin's suspicions. The British economic expert on the Austrian Treaty Commission, Lawson, reported that he had "not yet seen satisfactory evidence that any force or duress was applied to individual vendor companies" and thought it "questionable whether assets which passed under these agreements could be excluded from categorical German assets under the United Kingdom draft Article 35." He suggested that the "Oil Companies' attention might be drawn to the weakness of some of the points in their case". Bevin's response was irate:

I feel the Minister of Fuel and Power's attention should be called to the unsatisfactory methods adopted in these cases. At Moscow by withholding of vital facts, the fact is that the oil co[mpanie]s had no objection to Hitler [sic]⁵⁶

Though this outburst may not have been justified in respect of all British claims, it was in the case of the largest one - that of the Canadian company of Richard van Sickle for rights to 20 Freischürfe which he had sold before the Anschluss at a time of financial difficulty.⁵⁷ Despite the defence made by Ministry of Fuel and Power officials, James Marjoribanks, now Assistant Head of the German Political Department,

⁵⁵ (continued)
FO 945/52.

⁵⁶ Bevin [undated] minute on a telegram from Lawson, 11 June 1947, PRO, FO 371/64090/C8045.

⁵⁷ On Austrian estimates the van Sickle claim amounted to 37% of the total future Austrian oil reserves. See 'Nachtrag zum Gedächtnisprotokoll vom 30. 5. 1947 über die 3. Sitzung des österreichischen Experten-Komitees', HHStA, BMAA, 148.434-6VR/47, K.24, 1947 and Appendix Two.

concluded that "it still remains clear....that if we had had sufficient documentation on the shakiness of this argument we would not have spent so much time in Moscow arguing about 'force and duress'".⁵⁸

Even so it seems unlikely that a greater knowledge of the weakness of some western oil claims would have affected the outcome of the Moscow Conference. What proved decisive in the end was the American refusal to make the kind of compromises Gruber was calling for. As he later recorded, on the evening of 22 April

Es kam zu einer ziemlich heftigen Debatte. Ich warf den Amerikanern vor, dass sie entgegen unseren Wünschen die Konferenz frühzeitig zum "Wrong Issue" abgebrochen hätten. Die Amerikaner widersprachen natürlich unisono, insbesondere heftig Oxx, der sich von der eingeschlagenen Taktik sehr befriedigt zeigte und eher Kritik an Bevin übte, weil dieser nicht so eindeutig gesprochen habe.

In Marshall's words "die Vereinigten Staaten könnten keinem Vertragstext zustimmen, der nicht die österreichische wirtschaftliche Sicherheit wieder herstelle."⁵⁹

In 1947 the Austrian government was not able - even if it had been willing - to ignore these misgivings. Austria remained heavily dependent American good-will. This had been clear since the start of the occupation and was now underlined once more. The Austro-American Relief Agreement, signed at the end of June, gave Austria 85 million dollars of relief aid. American renunciation of occupation costs effectively

⁵⁸Butler (Ministry of Fuel and Power) to Harvey, 2 July, Berthoud to Harvey, 8 July, Marjoribanks, 10 July, 1947, PRO, FO 371/64005/C9050/C9318.

⁵⁹'Taktischer Verlauf'; see also Gruber, Befreiung, pp.144-5 and Kleinwächter to Vienna, 13 June 1947, HHStA, BMAA, 107.573, pol-47, K.25, 1947.

provided Austria with further substantial dollar credit from the start of July and she was given an Eximbank credit of 13 million dollars at the end of the month.⁶⁰ The importance of American aid was nowhere more obvious than in the key area of coal. Austria had always been heavily dependent on imports of hard coal, mainly from Czechoslovakia, and was thus especially vulnerable to the general post-war shortage, as the catastrophic winter of 1947 showed. One result of the Moscow Conference was that the Americans took over from the British the financing of Austrian imports of Ruhr hard coal. After agreement was reached early in July, Austria was able to obtain coal, in exchange for electric power, on relatively favourable terms and without having to compete for allocations within the European Coal Organisation.⁶¹

Marshall Aid continued and institutionalised what had hitherto been a fairly hand-to-mouth relief operation. It does not much matter here whether, in the case of Austria, it was based on an American misunderstanding of the nature of the economic crisis of 1947.⁶² Furthermore, even if American aid was not enough to force Austria to liberalise her trade - and she certainly did not begin to do so until the late fifties - it was important enough to limit any independent

⁶⁰Rauchensteiner, Sonderfall, pp.207-8.

⁶¹See Cullis, 5 May 1947, PRO, FO 371/64970/CE1488; text of agreement, 7 July 1947, FO to Washington 9 August 1947, FO 371/64935/CE3088/CE3327; for Austrian discussions see AVA, MRP 69a, 28 May, MRP 74, 1 July, MRP 77, 29 July 1947; see also Bischof, pp.84-5.

⁶²As argued for western Europe as a whole by Alan Milward, The Reconstruction of Western Europe, 1945-1950, London 1984. Austria's main import needs were food and raw materials, rather than capital goods for reconstruction. As Milward points out (p.103), the proportion of food in total ERP "direct aid" shipments was exceptionally high in her case - 77.7% in 1949.

Austrian initiatives. This was spelt out clearly to Kleinwächter in Washington shortly before Marshall made his famous speech:

Herr Riddleberger deutete...auf den später von Staatssekretär Marshall in seiner Rede in der Harvard Universität....angekündeten Plan einer gesamteuropäischen Wiederaufbauaktion an und betonte, dass es bei einem Kurswechsel der österreichischen Aussenpolitik nur sehr schwer möglich werden würde, Österreich in die Aktion miteinzubeziehen. Es sei mir doch bekannt, mit welchem Misstrauen und wie sehr ablehnend die überwiegende Mehrheit im Kongresse allen jenen Ländern gegenüberstehe, die dem Einfluss der Sowjetunion unterworfen wären. Die grossen und weitgehenden Sympathien, die Österreich hier geniesse, seien darauf zurückzuführen, dass es sich bisher von allen Bindungen gegenüber der Sowjetunion freigehalten und alle dahinzielenden Bestrebungen eindeutig abgelehnt hat; sollte diese Haltung zweifelhaft werden, so wäre auch mit dem Verluste der Hilfsbereitschaft zu rechnen.⁶³

Riddleberger's comment was not so much a veiled threat as a realistic statement of the the relationship which now existed between United States aid to Austria and American views of world communism. By the summer of 1947 the two were irredeemably interlinked.

The tentative Austrian attempts at a realignment after the failure at Moscow underline this point. Talks apparently took place between the Austrian socialist and communist leaders to discuss a replacement for the Austrian Foreign Secretary.⁶⁴ In London Schärf by-passed official channels and used Walter Wodak to sound out Bevin informally about replacing Gruber.⁶⁵ Bevin refused to give any hint of approval for Gruber's removal and

⁶³ Kleinwächter to Vienna, 13 June 1947, HHStA, BMAA, 107.573, pol-47, K.25, 1947.

⁶⁴ Rauchensteiner, Sonderfall, p.223.

⁶⁵ According to Henniker, Bevin's private secretary, (8 May 1947, PRO, FO 371/63974/C7037) the message "was said to come from Dr. Figl and Dr. Schärf."

the Foreign Office endorsed his view.⁶⁶ Most famously, in what became known as the "Figl-Fischerei", Chancellor Figl discussed with the leader of the Austrian Communist Party, Ernst Fischer, how the Austrian government might be reshuffled to make it more palatable to the Russians.⁶⁷

The assumption behind these moves was apparently that a more pro-Russian Austrian Foreign Minister could have brought back the bacon from Moscow. If so it was surely incorrect. As we have seen, Gruber had been much more ready to accommodate the Russians than either the Americans - or some British - thought wise. A more pro-Soviet Foreign Minister would hardly have been more successful in bringing the Americans round. A pro-Russian shift could only conceivably have been successful if Austria had been prepared to go the whole hog and risk losing American economic support. This, rather than the personalities in charge, was the main material restriction on Austria's foreign policy in 1947 and was to limit her basic freedom of manoeuvre until 1953.

⁶⁶For a (characteristically unbalanced) account by Wodak see his letter to Schärf, 2 May 1947, (Wagnleitner, Diplomatie, doc. 340, Beilage I). There is no Foreign Office account of the conversation in the House of Commons at which no official was present. See Cullis, 5 May 1947, PRO, FO 371/63973/C6831. Bevin, who valued loyalty as the supreme political virtue, was unlikely to be attracted by an intrigue against Gruber. It was only when Gruber himself appeared to have acted "disloyally" by publicly attacking the British that Bevin briefly returned to the idea of moving against him. He asked his officials' opinion "as to whether we should advise the Austrian government to drop Dr. Gruber or the reverse." The officials advised strongly against and Bevin agreed. See Gruber's speech to Austrian parliament, 7 May 1947, Csaky, doc. 55; Times, 8 May 1947, PRO, FO 371/63974/C7037. Wagnleitner ('Walter Wodak in London', pp.226-7) gives an unreliable account of this exchange.

⁶⁷Accounts in Rauchensteiner, Sonderfall, p.223; Ernst Trost, Figl von Österreich, Vienna-Munich-Zurich 1972, pp.224-30; Fischer, pp. 213-30.

3. The Austrian Treaty Commission

Throughout the summer of 1947 the Austrian Treaty Commission laboured in Vienna investigating the "concrete facts" of German assets. Historians have generally supported contemporaries in the view that these labours were a massive exercise in futility. Yet the discovery of many of the details of the transfers which had taken place during the Anschluss did clarify the German assets picture. In the end, however, this clarification merely underlined the point that it was not these facts in themselves which had caused the failure to agree at Moscow but deeper fears of a Soviet economic enclave. And these fears increased rather than lessened in the course of the summer.

The gradual retreat from the earlier western position on German assets centred on the formula of "force and duress" which had hitherto played such a central role. Fresh information on the transfers which had taken place during the Anschluss made British officials increasingly reluctant to back the claims of western oil companies. As already mentioned, the van Sickle claim to some of Austria's richest oil-fields was shown to be flimsy. In other cases, too, doubts grew. Steinberg Naphta's claim to some 20% of the total future oil deposits seemed doubtful on two counts. The British owners, City and General, had in their turn been largely owned by a Swiss firm. In addition, there had been no clear-cut use of force in the initial "Germanisation" of this share-holding at the "Lucerne agreement" of October 1938.⁶⁸ The position of the western interests in refineries was also, at least debatable. The Lobau refinery, though indirectly owned by British and American firms, had received substantial investment

⁶⁸See Appendix Two.

between 1940 and 1942, in circumstances which do not appear to have been finally clarified.⁶⁹ The details of other transfers also partly called previous western arguments into question. They revealed a huge variety of different transactions, ranging from direct force to commercial purchase, which appeared impossible to codify or define neatly.⁷⁰

These discoveries prompted some movement on the British side. From the start Sir George Rendel, the head of the British delegation on the Austrian Treaty Commission, had been "insistent that we must only sponsor cast-iron cases as otherwise we should seriously prejudice our negotiating position with the Russians." Hood now queried whether "our policy of aiming at the maximum restoration of British and U.N. pre-war interests [is] indeed the best way of obtaining our principle objective: the existence of a viable Austria and the reduction to a minimum of a Russian stranglehold on the Austrian economy?" He suggested examining an "alternative line":

to abandon our efforts to unravel the British, United Nations or German interests in these oil properties and agree that a sheet should be drawn over the past and that the whole lot should now become Austrian. I recognise that this will involve the sacrifice of important British interests but it would seem...that we could only hope to restore those interests at the price of seeing substantial oil properties passing into Russian hands and that may gravely prejudice the wider British interest of

⁶⁹The refinery had a throughput of 180,000 tons of crude in 1946. It was owned by österreichische Mineralölwerke 50% of which was owned in turn by Rhenania Oessag Hamburg (96% Shell) and 50% by Deutsche Vacuum, Hamburg, (100% Socony Vacuum). Its capital had increased by 20,000 to 15,000,000 Reichsmark. US Statement, ATC(47)18, 21 June 1947, PRO, FO 371/64091/C8778.

⁷⁰See telegrams from Vienna to FO summarising the results for Real Estate and Industrial Concerns, 31 July, 3 August 1947, PRO, FO 371/63985/C10410/C10416 and above p.77 n.110.

an economically independent and viable Austria. Austria is in any case unlikely to be able to stand on her own feet after the Treaty without continued financial assistance from the West and the present of the oil interests might be a more effective and not much more expensive contribution than a loan.⁷¹

Bevin made a similar point - in oddly naïve fashion - from the Labour Conference at Margate at the end of May, perhaps after speaking to Austrian socialists:

If there is a dispute between the Allies as to what is and what is not a German asset, could it not be agreed that it should be claimed as an Austrian asset? That is to say, it could be moved out of the way by giving it to Austria to help her economy. This might be a good solution and it would certainly be welcomed by the Labour Party.⁷²

By June, therefore, the British were ready in principal to abandon weak or uncertain cases if they could go to the Austrians. But "abandonment" of weak cases by the West would mean that they would be regarded as genuine German assets and therefore be taken by the Russians. The sheer complexity of the problem inspired Rendel to reach for his Shakespeare:

Unfortunately...the Potsdam declaration is quite clear and there is every sign that the Russians intend to insist on their pound of flesh. Whether we cramp their style by insisting that in getting it they should not shed a drop of Austrian blood remains to be seen, but I think that Portia would have had a much stickier time here than she had in Venice.⁷³

Continuing in this literary vein, Rendel now attempted his "operation Portia". The first aspect of this was to

⁷¹Robb 19 May, Hood, 20 May 1947, minutes of a meeting at Ministry of Fuel and Power, 23 May 1947, PRO, FO 371/64005/C8825/C7469.

⁷²McAlpine, (Private Secretary, Folkestone) forwarding Bevin's views, 27 May, PRO, FO 371/63984/C7583; see also Wagnleitner, Diplomatie, doc.368.

⁷³Rendel (Vienna), to McAlpine, FO, 4 June 1947, PRO, FO 371/63984/C7929.

abandon weak claims. He argued in London that "it was essential that we should only back cast-iron cases [and] ...might even, for the sake of agreement, have to give up some of our claims."⁷⁴ Back in Vienna he told the head of the Soviet delegation on the ATC, Novikov, that the British did not intend to defend "concessions which we know that they freely, though mistakenly, sold to Germans at the time of the Anschluss."⁷⁵ The second aspect of "operation Portia" was to ensure Austria's retention of the arteries and blood of legal control and sovereignty. To achieve this in the case of oil Rendel proposed that the Bitumen Act of 1938 should be maintained but that the exploration rights granted under it should now be considered lapsed and should therefore be re-allocated by the Austrian state. Any concessions granted to the Soviets would thus be limited while Western companies would have to negotiate bilaterally with the Austrian government for possible return or compensation of their lost rights.⁷⁶

On the wider range of German assets Rendel reaffirmed "the desirability of lists" and conceded that there was "some cogency" in the Soviet argument that the phrase "force and duress" was "inappropriate to the special relationship obtaining between Germany and Austria during the Anschluss."⁷⁷ A week later Mack went further and reported that "in the light of the facts, our present draft definition of German assets can no

⁷⁴Meeting, Ministry of Fuel and Power, 9 June 1947; Rendel minute to Bevin, 9 June 1947 PRO, FO 371/64005/C8055/C8054.

⁷⁵Rendel to FO, 17 June, 1947, PRO, FO 371/64090/C8321.

⁷⁶Vienna to FO, 16 July 1947, PRO, FO 371/64094/C9784; see also George Rendel, The Sword and the Olive Branch, London 1957, pp.266-7.

⁷⁷Cheetham (Vienna), to FO, 23 July 1947, PRO, FO 371/63985/C10061.

longer be regarded as adequate for the safeguarding of genuine Austrian interests." He suggested that in any redraft there would be an "advantage in taking the Soviet draft as a basis for discussion" since it "has at least the merit of starting from the 1938 position with certain additions, as against our own which works from 1945 backwards." Mack concluded that the British delegation was now "impressed by the unreality of the conception of German assets in Austria as applying to any transfers and investment made during the period of the Anschluss, when the two countries were completely integrated."⁷⁸

Over a month later Novikov had finally been persuaded to give an explanation of what the Soviets meant by the formula "direct forcible action." It was intended to express pressure applied "in each particular case", in other words the precise opposite of the earlier Austrian argument of a "presumption of duress". Cullis found this "quite reasonable" and thought could be accepted if suitably defined. Marjoribanks even confessed to "some sympathy with the Soviet viewpoint" on Steinberg Naphta and the Foreign Office legal adviser, Vallat concluded that "there is not as much virtue in our phrase 'force and duress' as we originally thought." The Soviet definition of "forcible action" seemed to narrow the difference to the point where in Marjoribanks' view it could be settled by a drafting committee.⁷⁹ By September, therefore, western officials

⁷⁸ Mack to FO, 28 July 1947, PRO, FO 371/63985/C10246.

⁷⁹ "Novikov explained...that Soviet Delegation could not agree to [the fact, mentioned in the preamble that Germany had annexed Austria by force] being invoked by any and every Austrian who had parted with his property to the Germans during the Anschluss period as furnishing him with justification for claiming its return. Force must be demonstrated to have been exerted in each specific case. He was willing to re-consider a re-draft on these lines." Cullis to FO, 10 September, Marjoribanks, 15 September 1947, PRO FO 371/64100/C12214; Marjoribanks, 11 September, Vallat, (Footnote continued)

had virtually abandoned the definition of German assets which had been the mainstay of their arguments at Moscow six months before.⁸⁰

The German assets question was not, however, merely a technical problem which could be solved in a vacuum. As argued earlier, those in the West who objected to making concessions on German assets were at bottom less concerned with the legal validity of the Soviet case - or even the difference in the size of any enclave which might be conceded - than with the enclave itself. If German assets was indeed a Trojan horse it was little consolation to discover that the animal had been built legally at Potsdam with western consent. This wider western perception of a Soviet threat had increased dramatically in the course of the summer. The final communist clamp-down in Hungary had come in June with unexpected suddenness and ruthlessness. Although they retained their solitary minister in the cabinet until November, the Austrian communists had begun to attack the government more vigorously for alleged economic mismanagement and subservience to American capitalist interests. The propaganda against the Marshall Plan reached a high pitch and in October came the founding of Cominform. In these circumstances the belief grew that, without a western presence, Austria was bound sooner or later, to go the way of eastern Europe.

On the British side Marjoribanks was most active in exploring the implications of a divided world and what he saw as aggressive Soviet intentions. His conclusion was that western governments should sit tight in their zones, perhaps take over German assets in the West and prepare themselves for a period of economic attrition.

⁷⁹ (continued)

16 September 1947, PRO, FO 371/64099/C11971.

⁸⁰ Marjoribanks' summarising memorandum for Bevin, 10 September 1947, PRO FO 371/64100/C12391.

We must....consider with particular reference to the Marshall plan, the possibility of our not being successful in obtaining an Austrian treaty and a unified Austrian state and must rethink our consequential plans, such as e.g. a customs union with the Anglo-American-French zone of Germany...it is time we explored the economic future of the headless tadpole which Austria may become.⁸¹

Although these rather drastic speculations did not become British policy, Marjoribanks undoubtedly now played a role in heading off Rendel's calls for concessions.

When Rendel reported that Novikov had been "unexpectedly encouraging" at the Commission's meeting on 4 August Marjoribanks tried to damp down his enthusiasm. He thought it

very questionable, whether the Soviet representative on the Treaty Commission has any power to make concessions and we are dubious as to the possibilities of a settlement prior to the Ministers' meeting in November...we are most anxious to avoid making concessions at this state on our side, without first receiving some indications from Novikov that he is prepared to respond in kind.

This scepticism appeared to be confirmed when the Soviet authorities took over the disputed Lobau refinery without warning early in August.⁸² Rendel, however, had already gone ahead and spoken to Novikov. He dropped another hint that he did not intend to support doubtful claims. Although he did not mention the van Sickle case by name Novikov "probably drew his own conclusions". Marjoribanks was sceptical:

"I frankly cannot discover Sir G. Rendel's grounds for optimism, and I think that the Soviet attitude is unlikely to be affected by our tacit admission

⁸¹Marjoribanks, 8 August 1947, PRO, FO 371/63985/C10520.

⁸²Rendel to FO, 4 August 1947, FO to Vienna, 7 August 1947, PRO, FO 371/64005/C10421.

that we are not proposing to stick to the principle of duress and are prepared to abandon the van Sickle case... I cannot believe that we had a mandate from the US and French delegation to do a deal with M. Novikov on this question."

Bevin apparently thought otherwise and minuted "Has authority been given [?]. Don't delay."⁸³ His query was not followed up, however, and the discouraging instructions which had preceded Rendel's conversation with Novikov stood. "Operation Portia" was kept in cold storage and Rendel's request for authority to abandon the pre-war Italian holding in the Danube Shipping company was also rejected. Instead, Rendel was told to "concentrate on seeing some admission from M. Novikov of the Austrian Government's shareholding."⁸⁴

There was a subtle but important difference of attitude between Bevin and Marjoribanks. Bevin considered that if the issue of extra-territoriality was satisfactorily resolved "once the troops had been got out of the country he did not fear the extension of Communism in Austria."⁸⁵ Marjoribanks, on the other hand, clearly did. He saw sovereignty as a suitable issue for engineering a show-down and Rendel therefore had some grounds for complaining that Marjoribanks's line "seems to me to differ materially from that contemplated when I was in London. The Secretary of State was then much disturbed at the slowness of our progress." Marjoribanks denied that there was any discrepancy, glossed Bevin's instructions to support his view that "if the Russians showed no disposition to compromise" the West should not abandon their position and re-affirmed his own belief in the need for a show

⁸³ Rendel to FO, 7 August, Marjoribanks 11 August, Bevin, n.d. FO 371/63985/C10736.

⁸⁴ Rendel to FO, 7 August, Marjoribanks 18 August 1947, PRO, FO 371/63985/C10737.

⁸⁵ Conversation between Bevin and Rendel, 25 July 1947, PRO, FO 371/64095/C10176.

down. Bevin apparently agreed, noting on Rendel's telegram that "I cannot help feeling the whole business is becoming farcical. I really think it should be brought to a head soon." Yet in writing this he was evidently under the mistaken impression that the démarche he had previously urged had been rejected by the Russians. In fact it had been blocked by Marjoribanks.⁸⁶ Shortly after Marjoribanks concluded that "it does not matter very much if we recognise the inevitable sooner rather than later, and suggest that the Commission's labours should be wound up."⁸⁷

Though ostensibly arguing in favour of a "show-down", Rendel had in fact been seeking approval for offering concessions to the Russians. He now opposed a show-down on the issue of extraterritoriality since this might lead the Russians to adopt "prematurely an intransigent attitude from which it would be more difficult for them to retreat".⁸⁸ In the end there was no show-down in Vienna. But neither was Rendel allowed to make the kind of concessions he had wanted to. The talks ground to a halt and in his final report Rendel merely mapped out those areas where he considered concessions might be made. He concluded that, if the question of Austrian sovereignty could be settled, the differences between the western and Soviet positions were not so great in themselves as to preclude a

⁸⁶In a reply to a query from Bevin's secretary on 16 August Marjoribanks recorded that "instructions were sent...in reply to his request in Vienna tel[egram] no 704 as to how he was to handle negotiations on oil the future." Yet these instructions had been to tell Rendel not to take any initiatives. McAlpine, 16 August 1947, Marjoribanks, 19 August, McAlpine, 4 September 1947, PRO FO 371/63985/C10736.

⁸⁷Marjoribanks to Henderson, 15 August 1947; Rendel to FO, 15 August 1947, Bevin, [n.d.] PRO, FO 371/64097/C11028/C11076; see also Rendel, p.260.

⁸⁸Rendel to FO, 26 August 1947, PRO, FO 371/64098/C11544.

settlement.⁸⁹ The final report of the Austrian Treaty Commission showed the deadlock to be as intractable as ever.⁹⁰

Marjoribanks, meanwhile, had further developed his arguments. In two memoranda at the end of September he argued that Soviet economic penetration after a Treaty would increase and develop into full-scale political and strategic domination of Austria. He concluded:

If we expect that Austria will inevitably be drawn into the Soviet economic system it would, I submit, be preferable not to conclude a Treaty on the lines of the present draft. The Austrian government have been very willing to boast that they can deal with the Russians once the troops leave. This is a dangerous assumption....we stand to lose less by maintaining the present form of Allied occupation in Austria.

Marjoribanks did not shrink from the radical conclusion that the transfer of the Austrian government to Salzburg might be necessary.⁹¹ On 26 September he presented a second memorandum in which he argued that "the problem of Austria must...be considered in relation to the whole problem of Soviet penetration in Europe, as a vital link in the western chain of defence against such encroachment." The thrust of his comments on the future of Austria after a Treaty was clearly pessimistic. If the Soviets wanted a treaty it was because they believed

that penetration of Austria's economy will be more possible after the Allied troops have left the country. Although it may be said that the Soviet troops will also have left, experience in countries further east would indicate that this will not happen until the Soviet are confident that economic, as a prelude to political, penetration

⁸⁹ Rendel Report, 29 September 1947, PRO, FO 371/64101/C12796.

⁹⁰ Final Report, CFM/ATC(47)77, 11 October 1947, FRUS 1947, II, pp.632-668.

⁹¹ 24 September 1947, PRO, FO 371/63965/C12601.

can be accomplished under favourable conditions. Indeed, it may well be that the ultimate Soviet strategy is to outflank the western zone of Germany and spread Communism as far west as Switzerland.⁹²

Marjoribanks described the Austrian Treaty as a "gamble" and - despite the ostensible balance of his arguments - it is clear that he did not consider it one worth taking.

The most significant aspect of this argument was not its influence on British policy, which was negligible, but the assumptions about Austria's economic links with the East which it involved. Even if the idea of a Danube Customs Union had been abandoned as unrealistic, western planning had hitherto assumed that Austria's links with the East were both essential and desirable.⁹³

By contrast Marjoribanks was arguing that "an independent Austria, in the pre-Anschluss sense" was "an impossibility in the present state of Europe" because "the Eastern forces of attraction are too strong to permit us to cherish the illusion that the resumption of normal trade relations will enable Austria to re-establish herself as a prosperous economic unit."⁹⁴

This reasoning, however, confused two arguments; that Austria would remain vulnerable to communist

⁹²Marjoribanks, 26 September 1947, PRO, FO 371/64101/C12784.

⁹³Bevin evidently still held to this view early in 1947 and told the joint opening meeting of both German and Austrian Deputies (CFM/D/47/G and A, 14 January 1947, PRO, FO 371/63965/U14):

"The break-up of the Austro-Hungarian Empire had left many questions which were never really solved in 1919. In his view, European peace could only be ensured if there were economic well-being and political freedom in the Danube basin; the old Empire had satisfied only the first of these requirements; it was now necessary to devise a plan which would cover both issues."

⁹⁴Marjoribanks, 26 September 1947, PRO, FO 371/64101/C12784.

pressure because of her economic links with the East, and that she would remain so because those links were not substantial enough to provide her with a basis for economic prosperity. If the first argument was correct the answer would presumably have been to reduce Austria's trade with the East. This idea certainly had its supporters in the West. Francis Williamson, the State Department, for example, saw a possible answer to Austria's "problem" in a "a system of multilateral trade between Austria and the Western European states including Germany to replace the former Austrian dependence on the Danube area."⁹⁵ Yet it is clear that American economic aid to Austrian was not based on this view of the role of the Danube but on the second one. In order to decrease her dependence on dollars Austria was encouraged to pay for imports from her traditional non-dollar sources with increased exports. If Austria's exports to the East did nevertheless continue to decline as a proportion of total exports,⁹⁶ this was probably less the result of deliberate western or Austrian policy than the structural economic changes arising from the rapid State-initiated industrialisation of eastern Europe.⁹⁷

⁹⁵ 15 May 1947, FRUS 1947, III, pp.584-5.

⁹⁶ By 1948 they were only to 14.7% compared to 27.5 % in 1937, in value terms, Gerhard Rosegger, 'East-West Trade: the Austrian Example' Journal of Central European Affairs, 22,1 1962, p.81; see also Gunnar Adler-Karlsson Western Economic Warfare 1947-1968, appendix.

⁹⁷ Matzner, Trade, p.101. For criticism of the Austrian government for failing to take up the trading opportunities with the East see the view of British Economic experts in Vienna ('The Austrian Economy after the November conference', 26 September 1947, PRO, FO 371/64101/C12784) that Austria should make "more strenuous attempts to secure in South-Eastern Europe the food products obtained from before the war; the political difficulties should not be insuperable, and no great effort to do so seems to have been made to date." In a similar vein see The Economist, 18 October 1947.

At bottom Marjoribanks was using economic arguments to support his intuition about Austrian weakness and Soviet policy. From this perspective no decline in Austria's trading links with the East would be enough to overcome the argument that she would be dangerously exposed after a Treaty. When viewed in conjunction with her overall economic weakness and the apparent certainty that any Treaty would involve a substantial long-term Soviet economic enclave, this could easily point to the conclusion that the status quo in Austria was less risky than a "leap in the dark." It is anachronistic to see this as a British attempt to bring Austria into a western "sphere of influence".⁹⁸ It did, however, imply her long-term occupation. On this view, Soviet claims to German assets and Austria's continued western orientation were irreconcilable.

4. Unresolved Doubts

In the closing stages of the Austrian Treaty Commission the French representative, General Cherrière, made a suggestion which appeared to offer a way out of this impasse. The proposals he put forward early in October became known as the "Cherrière plan" although they probably owed most to David Ginsburg, the American economic expert on the Austrian Treaty Commission. The proposal was that, apart from oil and the Danube Shipping company, the Russians claim should be "commercialised" in the form of an "ad hoc settlement" to be re-paid by the Austrians over a period of 8-10 years. In addition the Russians would receive a fixed

⁹⁸Wagnleitner, ('Walter Wodak in London', pp.234-5). Marjoribanks' views were not "grundsätzliche Memoranden", as Wagnleitner argues. Their conclusions were questioned both by Bevin and by British officials in Vienna. See meeting at FO, 2 October 1947, (PRO, FO 371/64985/C4163) and 'Austria and the Cold War', 15 October 1947, PRO, FO 371/64986/CE4411.

percentage of the Danube Shipping Company and each branch of the Austrian oil industry.⁹⁹

The proposal was not a rabbit conjured out of a hat. Many of its ingredients had already been proposed informally on other occasions and in many ways it represented the logical conclusion from the discovery of the enormous complexity of German assets. The ad hoc settlement, generally referred to as the "lump-sum payment", attempted to go to the root of western fear of a Soviet enclave by effectively transforming it into an economic burden. This burden would now be paid off gradually, either in kind or dollars.¹⁰⁰ In this sense the Cherrière proposal had the merit of moving on from the defunct framework of the war-time alliance and providing a solution appropriate for the polarisation and mistrust of the post-war world.

Though the British did not oppose the Cherrière proposal,¹⁰¹ Marjoribanks was suspicious of what he saw as an American inclination to "run after" the Americans which "will only be interpreted as weakness."¹⁰² Bevin, however, saw it as a genuine opportunity to finally settle the Austrian Treaty and moved firmly in support of it. One indication of this was his insistence on a

⁹⁹Text of proposal, CFM/ATC/47/76, 8 October 1947, FRUS 1947, II, pp.620-5. See also Stourzh, Geschichte, p.185,n.2 and (for an account which overstates the importance both of the French role and of the mechanics of the negotiation process in general) Margit Sandner, Die Französische Österreichpolitik von 1945 bis 1955, Vienna 1983, pp.156-9.

¹⁰⁰In the first Austrian plans 5 to 10 large factories were to be included. This was later dropped. See HHStA, BMAA, n.d. untitled ('Streng Vertraulich') memorandum, pol-47, 1947, K.25; FRUS 1947, II, pp.625-6.

¹⁰¹As maintained by Sandner, p.162.

¹⁰²Marjoribanks, 17 October 1947, PRO, FO 371/63986/C14863.

final renunciation of British claims to German assets in western Austria and his acceptance of the American position on "national" levels of compensation. Employing arguments which were clearly designed to appeal to the Economic Departments, he made it clear that he wished to evacuate Austria as soon as possible:

we had at present twelve thousand troops in Austria who, if released would form a valuable contribution to British man-power in the production field. We should not therefore insist on too rigid a settlement in satisfaction of any British interests which might remain in Austria. He felt in fact, that these could well have been turned over to the Austrian State.¹⁰³

The Americans reaction to the Cherièrè plan was of course, crucial, since US dollars were to play a key role in it. In the State Department dislike of Ginsburg's brainchild steadily gained ground, as can be seen in the shift over the "lump sum". At the end of November Ginsburg considered that 200 million dollars might be a reasonable "final offer" to the Soviet government. Two months later the State Department rejected the same figure - even in internal discussions - when the Soviet Union put it forward.¹⁰⁴ Opposition to withdrawal on military grounds now also gathered steam, led by the American Commander-in-Chief, General Keyes.¹⁰⁵ Ginsburg himself, who was not a career diplomat, soon became almost persona non grata in Washington. Kleinwächter later reported his humiliating exit from the corridors of power:

¹⁰³ Meeting at FO, 28 November 1947, PRO, FO 371/63985/C15614; see also Marjoribanks, Hall-Patch, 30 November 1947 PRO, FO 371/63985/C16268.

¹⁰⁴ Tripartite meeting, 23 November 1947, PRO, FO 371/64147/C15276/C15293.

¹⁰⁵ Kleinwächter to Gruber, 28 Oktober 1947, HHS tA, BMAA, 110.708 pol-47, K25, 1947; Keyes to the European Command, US Army, 10 November 1947, FRUS 1947, II, pp.1200-1202.

Ich war zufällig im Staatsdepartment zugegen als Herr Ginsburg...dort Abschied nahm....Statt jeder Ausserung einer gewiss verdienten Anerkennung seiner Tätigkeit herrschte eisige Kühle und Herrn Ginsburg war meine Anwesenheit sichtlich äusserst peinlich. Von da ab wurde es mir immer deutlicher klar, dass der Erfolg der Ginsburgschen Idee in hiesigen massgebenden Kreisen nur wachsende Bestürzung hervorgerufen hatte.¹⁰⁶

Even those American officials who saw some merit in the plan could not ignore the fact that what was in effect a dollar payment to the Soviet Union, was a red-hot political potato. In the end, the plan therefore linked Austria's future even more closely to American domestic perceptions.

On the eve of the London Council of Foreign Ministers Gruber reported that the Americans were divided. One group thought that the Russians were "on the run already" as a result of the Marshall Plan. Not only were concessions over Austria unnecessary, they might strengthen the Russian argument for reparations from Germany. A second group, Gruber continued, including Dodge and Ginsburg, wished to go to the limit of concessions over Austria. On 26 November, Gruber reported, that ("nach langen und heftigen Auseinandersetzungen") the second group had won through¹⁰⁷ but the course of the London conference hardly confirmed this judgement.

What of the Soviet Union? Throughout the summer it had taken up an almost entirely negative position, offering virtually no concessions and making no proposals. Given the logic of the Soviet position in

¹⁰⁶ Kleinwächter to Gruber, 4 May 1948, HHStA, BMAA, 113.381, pol-48, K.26, 1948.

¹⁰⁷ Gruber report, 26 November 1947, HHStA, BMAA, 111.230, pol-47, K.25, 1947; see also Dean (Washington) to Marjoribanks, 20 October 1947, PRO, FO 371/70405/C4303.

Austria, as outlined in the previous chapter, it had perhaps little incentive to do otherwise. Its response to the Cherrière plan, however, could well be taken as an acid test of its intentions towards Austria. The initial response was inconclusive. Although Marjoribanks reported that "we can take it that the Soviet are prepared to accept the French proposal as a basis of a settlement" Molotov was cryptic when Bevin pressed him, commenting merely that "he was prepared to accept 10% less than the amount of German assets to which the USSR is entitled". At this point, according to the British account, "Marshall, without forewarning, and after declaring that [the] problem was of crucial importance, proposed that [the] council leave [the] Austrian question and pass on to Item 3 of the Agenda. This was accepted."¹⁰⁸ Afterwards Marshall told Bevin of his concern at the French proposal on Austria being taken as a precedent for justifying the Soviet proposal for German reparations from current production. Although Bevin tried to persuade him otherwise he remained sceptical.¹⁰⁹

A week later the deadlock on Germany was becoming increasingly embarrassing to the West and, as Marjoribanks noted, the Americans and French now wished "to engineer a break at the conference table on some particular issue."¹¹⁰ The next day the American Ambassador in London, Lewis Douglas, tried to enlist Bevin's help in forcing a showdown over "major items on

¹⁰⁸Marjoribanks minute for Bevin, 28 November 1947, PRO, FO 371/64151/C15402; FRUS 1947, II, pp.731-2; US Delegation, London, to Truman, 4 December 1947, FRUS 1947, II, p.742; FO to Vienna, 4 December 1947, PRO, FO 371 64645/C15592.

¹⁰⁹Marjoribanks, 5 December 1947, PRO, FO 371/64147/C15823; Marshall to Acting Secretary of State, Acheson, 6 December 1947, FRUS 1947, II, pp.750-1.

¹¹⁰Marjoribanks, 12 December 1947, PRO, FO 371/64631/C16156.

the agenda, e.g. Austria, the principle points associated with the economic principles and economic unity, reparations, [from Germany] etc." Bevin "told him I would not. It was clearly a matter for the United States if they felt so disposed."¹¹¹

On the final day of the Conference, after some prompting from Cullis, Bevin made an intervention to keep the discussions on Austria alive. He extracted Molotov's grudging agreement that the Deputies could meet and take the Cherrière proposal as a basis for discussion. The Soviet deputy then promised to present a counter-proposal.¹¹² This intervention was undoubtedly an important turning-point. As Gruber reported in Vienna "es hat sich gezeigt, als schon der Bruch eingetreten war dass, dank des Auftretens Bevins Molotow die österreichische Frage halten wollte."¹¹³ Bevin himself reported to the cabinet with restrained optimism:

Hitherto the main obstacle to the conclusion of a treaty had been the Soviet claim to German assets in Austria; but the Soviet government had now shown some signs of readiness to define their claims and he thought the Western Powers might be well advised to make some concessions on this point for the purpose of agreeing a treaty.¹¹⁴

By intervening Bevin had demonstrated his ability to seize the chance of agreement even in an atmosphere of almost total mistrust, confirming the view that despite his combative anti-communism, he remained an outstanding

¹¹¹Bevin to Inverchapel, (British Embassy, Washington), 13 December 1947, PRO, FO 371/64631/C16003.

¹¹²CFM, 17th meeting, 15 December 1947, British record, PRO, FO 371/64646/C15099; private communication from Mr. Cullis; see also FRUS 1947, II, p.772.

¹¹³AVA, MRP 93, 23 December 1947.

¹¹⁴Cabinet(48)2nd Conclusions, 8 January 1948, PRO, CAB 128/12.

negotiator.¹¹⁵

The proof of the pudding came on 24 January 1948 when the Soviet government made its counter-offer.¹¹⁶ By doing so it named a price for withdrawing from Austria. However high it seemed, it meant, in Figl's words, that "wir endlich einmal wissen, wie die russischen Forderungen lauten." The reaction in Vienna was one of "almost jubilation."¹¹⁷

The Soviet response must be seen in the light of their overall policy towards Austria. Despite their protests, they had apparently now accepted Austria's adherence to the European Recovery Programme. Soviet agreement with the Austrians over the currency reform early in December had shown, according to the American Minister Erhardt, that "they were not prepared to promote economic partition of Austria at this time."¹¹⁸ This reinforces the view that by the end of 1947 the Soviet Union was probably ready to convert its strategic hold on eastern Austria into an economic and financial gain. If so, it meant that the first pre-condition of a settlement outlined at the start of this chapter was close to being fulfilled by the start 1948. The Soviet Union was probably now ready to be bought out of Austria.

¹¹⁵See Bullock, Bevin, pp.106-8.

¹¹⁶The Soviets claimed a lump sum of 200 million pounds in freely convertible currency, 450,000 tons of refining capacity and two thirds of exploration and extraction rights over a period of 50 years; CFM/D/L/48/1, 24 January 1948, FRUS 1948, II, pp. 1448-9; for a comparison of the different proposals see Stourzh, Geschichte, pp.146-7.

¹¹⁷AVA, MRP 97, 27 January 1948. Erhardt to Marshall, 26 January 1948, FRUS 1948, II, pp.1449-50.

¹¹⁸Erhardt to Marshall, 4 December 1947, FRUS 1947, II, pp.1213-4.

There were good reasons for the West not to believe this, however. The best ones had been supplied by the Soviet Union itself, both inside and outside Austria. Yet it is not merely the hindsight of 1955 which points to the conclusion that a negative and exploitative policy was not inconsistent with a readiness to withdraw from Austria. Bevin, for one, clearly came to this conclusion at the time. He now began to see the problem of persuading the Americans of this as the major task.

Marshall had been unenthusiastic about Bevin's initiative at London, as a conversation between the two men shortly afterwards showed:

[Bevin] felt that they [the Russians] might now, under the pressure of public opinion, be in a more reasonable mood. On the other hand, he understood that the American attitude was that they did not wish to discuss any new Russian proposals before February 1st. He felt himself that if the Russians were ready earlier than the Western Powers should not appear to be delaying matters. MR. MARSHALL said that there was just a possibility that the Russians might be more reasonable, although he would not put it higher than this. If the Russians were ready to put forward their proposal in January he would look at the problem and arrange an early meeting.¹¹⁹

In the State Department disapproval of Bevin's action was less restrained. Francis Williamson criticised what he saw as Bevin's anxiety "to secure an Austrian Treaty at a price which the State Department were not prepared to pay, namely the virtual loss of Austrian economic independence". The State Department were reported to be "apprehensive lest we should be prepared to give away too much to the Russians in the hope of obtaining a treaty and then find that we had lost any foothold in Austria whatever." Cullis, in turn, criticised the

¹¹⁹Conversation between Marshall and Bevin, 17 December 1947, PRO, FO 371/64045/C13961.

American attitude and suspected that behind it lay the influence of the military. Marjoribanks, on the other hand, sympathised with what he saw as an understandable American concern to safeguard the application of the European Recovery Programme in Austria.¹²⁰

After the Soviet counter-offer Bevin's expressed the fear

that the U.S. Government might not be so prepared to accept this proposal as a basis for negotiation as we were. He felt that if there were any delay we might miss a splendid opportunity for settling the Austrian problem.

He concluded that the British should tell Marshall they felt the Soviet counter-proposal provided "a basis for negotiation" and that it was "worth paying a considerable price to get the Russians out of Austria."¹²¹ Though he anticipated considerable problems relating to the lump sum settlement and expressed deep mistrust of the Soviet propaganda and negotiating tactics he still saw the chance for an acceptable agreement.¹²²

The Soviet counter-proposal did not cause any comparable enthusiasm in Washington. The State Department signalled that

¹²⁰J. Barnes (British Embassy, Washington) memorandum of conversation with Francis Williamson of 7 January 1948, Cullis, 20 January Marjoribanks, 24 January 1948, PRO, FO371/70394/C398.

¹²¹Marjoribanks 26 January, Henniker, recording Bevin's views, 27 January 1948, PRO, FO 371/70394/C748. Lower down the FO hierarchy Cullis took a similar view to Bevin, while Marjoribanks continued to be sceptical, Cullis, Marjoribanks, 29 January 1948, PRO, FO 371/70394/C720.

¹²²See long minute on tactics, which seems to have been directly dictated by Bevin, and the resulting exchange with Strang, 17 to 30 January 1948, PRO, FO 371/70934/C750/C838.

it cannot agree to any settlement which provides an extensive economic foothold by the Soviets in Austria or which involves an Austrian assumption of obligations to the Soviets which results in the economic integration of Austria in an Eastern European bloc. Similarly, no agreement can be accepted which involves the redemption of cash obligation by the United States Government or an Austrian debt to the Soviets beyond Austrian capacity to pay within a reasonable period.¹²³

Behind these objections, as Marjoribanks rightly surmised, lay a political consideration:

It is obvious that the Americans will have to provide the dollars for any cash settlement which is eventually arrived at and in this letter the State Department do not indicate any willingness to provide these funds. Their attitude on this point may be influenced by the prevailing mood in Congress but eventually Congress may indeed have to be cajoled into buying the Russians out of Austria.¹²⁴

On 20 February the assiduous Deputies assembled again and started discussing German assets. After the first week Cherière commented sardonically that "the child he had fathered in the Commission...was not very easily recognisable" in the Soviet counter-offer but there were "certain points of resemblance, and there was a common basis in that Soviet had accepted principle of French paper."¹²⁵ Initially the Soviet representative refused to move and differences within the western side could be submerged in the shared view that the Soviet claim was excessive.¹²⁶

¹²³Harrison (US Embassy, London) to Marjoribanks, 26 January, 5 February 1948, PRO, FO 371/70394/C941/C942; see also Gallman (US Embassy, London) to Marshall, 27 January 1948, FRUS 1948, II, p.1451.

¹²⁴Marjoribanks, 6 February 1948, PRO, FO 371/70394/C941.

¹²⁵Deputies, 64th session, 20 February 1948, FO to Vienna, 27 February 1948, PRO, FO 371/70431/C1682.

Soon after the talks began news came of the communist take-over in Czechoslovakia. In Vienna the news created "a first-class attack of the jitters."¹²⁷ In London the effect was equally dramatic, as Gruber later reported to his colleagues:

die Nachricht von dem Umschwung in der CSR [ist in die Verhandlungen] hineingeplatzt. Dass die Tür so rasch zugeschlagen wurde, hat einen ungeheuerlichen Eindruck hervorgerufen. Leute in der CSR., die noch für die Verständigung waren, wurden beseitigt und sind verschwunden. Dieses Ereignis war für den Westen überall eine grosse Lehre. Diese Krise hat zur Einigung innen- und aussenpolitisch geführt. Ich habe einen englischen Staatsminister getroffen der nach seiner Rückkehr aus []¹²⁸ entgegen seiner früheren Einstellung für rasche politische und militärische Vorbereitungen ist. Durch diese Vorfälle hat auch der Marshall-Plan, der...im Zusammenhang damit steht, Auftrieb erhalten. Die Führung liegt beim belgischen Minister Spaak. Sehr besorgt ist man über Italien; man weiss noch nicht, mit welchen Mitteln man dort entgegentreten wird. Für Österreich raten die Westmächte beim Österreich-Vertrag zur grössten Vorsicht. Bevor nicht Italien erledigt ist,¹²⁹ wird im Westen nichts geschehen. Man sagt allerdings, solange die Besetzung in Österreich ist, wird es zu keinen Vorfällen kommen. Allzu lange wird man in London nicht warten. So ist die Lage dortselbst. Für uns ergeben sich nun Folgen. Ich bin der Meinung, dass der Umsturz in der CSR für uns keine Überraschung war, aber die Sache soll uns zum Nachdenken bringen. Sicherlich ist die Einschätzung unserer inneren Situation notwendig und die Frage, welche Bedingungen müssen wir stellen, wenn einmal die Besetzung aufgehoben ist.¹³⁰

¹²⁶See Williamson memorandum, 29 January 1948, FRUS 1948, II, pp.1453-5.

¹²⁷Keyes to Marshall, 1 March 1948, FRUS 1948, II, p.1384.

¹²⁸Blank in original.

¹²⁹presumably a reference to the Italian elections, due to be held on 18 April.

¹³⁰AVA, MRP 102a, 4 March 1948; for the security question see below, pp.208-211.

Despite Gruber's remarks the Prague take-over did not so much create doubts about an early evacuation of Austria as strengthen existing ones. Western attention now shifted from the economic settlement of the Treaty to Austria's military and strategic weakness. The man-power strength, equipment and intentions of the communist factory guards of the Soviet-owned factories (Werkschutz) were scrutinised. Impetus was given to the discussions on the training and equipment of the Austrian police and Gendarmerie, especially in Vienna.¹³¹ The Treaty talks had in any case been making slow progress with much wrangling over the details of the concrete settlement. On 8 March Cherriere suggested that "all Delegations were playing hide-and-seek. Reber suggested it was poker."¹³² The arguments for breaking off the talks gained strength. On 22 March Marjoribanks reported that the Deputies "appear to have reached a deadlock on the Austrian Treaty." He suggested that one possibility might be "to propose, on some pretext or other, an adjournment for a month or six weeks...this would hold the situation temporarily in Austria and might even cause the Soviet to return with fresh instructions." Kirkpatrick supported the idea but Bevin preferred to wait until the ERP vote went through Congress.¹³³

Early in April, however, he seems to have swung back in favour of concluding a Treaty - if not of immediate evacuation. There were probably two main reasons for this. Firstly, the views of Adolf Schärf and the Austrian socialists, and secondly, substantial Russian concessions at the end of March. In the course

¹³¹For American discussions see Reinhold Wagnleitner (ed.) Understanding Austria: The Political Reports and Analyses of Martin F. Herz, Salzburg 1984, docs. 87, 96.

¹³²FO to Vienna, 8 March PRO, FO 371/70431/C1927.

¹³³Marjoribanks, Kirkpatrick, 22 March 1948, Bevin n.d., PRO, FO 371/70396/C2426.

of a European tour, which also included Berlin and Trieste, William Strang (Permanent Under-Secretary of the German section of the Foreign Office) had learnt in Vienna that the socialists were still in favour of a treaty. Schärf's view was that "it was a much simpler matter to stage a coup under the protection of an occupying power."¹³⁴ He repeated this when he came to London at the end of March, stressing the differences between Austria and her eastern neighbours:

the speedy conclusion of a treaty for Austria would greatly contribute to a peaceful settlement in Central Europe. In Austria there was no internal danger as in Hungary or Czechoslovakia and the Austrian Communist Party was indeed losing support. But political tension would continue to increase while the Soviet occupation remained...The withdrawal of the Soviet troops was more advantageous to the Austrian people than the protection afforded by the forces of the Western Powers.

Bevin assured him that

he would continue to press for an Austrian Treaty. The Treaty was, however, only a part of the greater question of organising Western Europe. Progress had hitherto been impossible but now that the Western European organisation had been set up the prospects for a treaty might be different in a few months' time. Dr. Schärf could rest assured that I had not delayed the treaty in order to keep British troops in Austria. I was not playing for a break in the discussions.¹³⁵

In any case "playing for a break" was suddenly made much more difficult by a series of sudden Soviet concessions at the end of March. The Soviet Deputy, Koktomov announced the reduction of the Soviet demand for a lump sum from 175 to 150 million dollars. On 5 April, as Reber reported graphically to the State Department, "we were hit by a flying saucer". Koktomov

¹³⁴Cheetham to Dean, 26 March 1948, PRO, FO 371/70408/C2683.

¹³⁵Conversation between Bevin and Schärf, 29 March 1948, PRO, FO 371/70396/C2405.

announced further concessions over oil, reducing the claim to prospecting and producing areas to 60% of the total and that of refining by 30,000 to 420,000 tons per annum.¹³⁶ Later in the day Reber remarked to his western colleagues that "to judge from the morning's performance, the Soviet timetable for Austria had been speeded up." ¹³⁷

Three days later Bevin presented a cautious memorandum to the cabinet which concluded that "even after the Treaty has been agreed by the Deputies we shall have to consider very carefully whether or not the international situation does indeed permit withdrawal of the troops of the Western Powers from Austria." In cabinet itself, he was markedly more optimistic and argued that "democracy could best be preserved in Austria by the early signature of the Austrian Treaty and the consequential withdrawal of the Allied armies of occupation." His analysis of Soviet motives is noteworthy for its implicit divergence from the assumptions of containment orthodoxy.

Russia might welcome the opportunity of reaching a settlement which could enable her to withdraw her troops from Austria and consolidate her position in Eastern Europe.¹³⁸

What lay behind the sudden Soviet urgency? Perhaps it was connected with the attempts to forestall the work on a separate West German state now being done in London. Concessions over Austria, or even a Soviet

¹³⁶For summary see Acting Secretary of State, Lovett to US Legation, Vienna, 31 March 1948, FRUS 1948, II, p.1482.

¹³⁷Reber to Secretary of State, Marshall, 5 April 1948, FRUS 1948, II, pp. 1488-9; Meeting of Western Deputies, 5 April 1948, PRO, FO 371/70396/C2715.

¹³⁸CP(48)102, 8 April 1948, PRO, CAB 129/26; Cabinet CM(48) 27th Conclusions, 8 April 1948, PRO, CAB 128/12.

withdrawal, might have strengthened West German reservations about proceeding with the de facto division of the country. Alternatively - or additionally - it may have been a part of the Soviet "Peace Offensive" which was beginning to get under steam.¹³⁹ Whatever the precise Soviet motives, the concessions meant that the Americans now had to make a swift policy decision - an operation which Marshall's absence at Bogotá did not make any easier.

Reber's initial response was to offer - to British irritation - the remaining exploration areas formerly belonging to Steinberg Naphta. This brought the western offer up to 58%, only 2% behind the Soviet claim.¹⁴⁰ But the prime motive behind this concession was to blunt the propaganda impact of the Soviet concessions. The "64 dollar question [sic]", Reber complained to the State Department, "remains unanswered, i.e., do you want a Treaty in the present situation in Europe? If not, what is your advice on best tactics to be employed in breaking off negotiations? We should have done so before Easter if we could only have persuaded the French and British to come along."¹⁴¹

Officials in Washington were evidently still hesitating. The political and strategic objections to signing a treaty had grown since the Prague take-over. Early in March the American Joint Chiefs of Staff had taken the view that "for military reasons, in particular troop withdrawal, Austrian treaty [is] undesirable at

¹³⁹See J. Samuel Walker, "'No More Cold War': American Foreign Policy and the 1948 Soviet Peace Offensive", Diplomatic History, 5,1, 1981, pp.75-91; William McCagg, Stalin Embattled 1943-1948, Michigan 1978, pp.310-2.

¹⁴⁰Deputies, 88th Session, 5 April 1948; PRO, FO 371/70432/C2715; FO to Vienna, 9 April 1948, PRO, FO 371/70433/C2884.

¹⁴¹Reber to Marshall, 5 April 1948, FRUS 1948, II, p.1490.

this time."¹⁴² According to Kleinwachter, the Austrian Minister in Washington, there was not merely a general mistrust of the Soviet Union but a sense of crisis perhaps even of imminent war. Above all the political arguments against the lump sum settlement appeared overwhelming. Kleinwachter reported that Hickerson had warned him that the idea of paying American money to the Soviet Union would unleash a "Proteststurm" throughout the American public. The same applied to Austrian deliveries in kind to Russia. Even ERP aid to Austria might then be regarded as payments to Russia.¹⁴³

Perhaps not surprisingly therefore, Reber did not receive a clear-cut answer to his question. From Bogotá Marshall expressed his concern "lest we be put clearly in a position of thwarting conclusion of Austrian treaty" and posed a counter-question: "What are the odds between general world effect of concluding treaty and risk of Soviet subversion of government following withdrawal of troops?"¹⁴⁴ Officials in Washington also evaded the issue when they told Reber that it was "unlikely that Sov[ie]ts will accept conditions that US stipulates as essential for Austrian independence" and that in any case "ratification by Congress would delay withdrawal."¹⁴⁵ American officials in Vienna were more inclined to see the balance of advantage lying with a Treaty. Erhardt repeated his earlier view that the risks involved in continuing the occupation were probably greater than the risks involved in staying. After

¹⁴² Marshall to Reber, 10 March 1948, FRUS 1948, II, pp.1474.

¹⁴³ Kleinwachter to Gruber, 3 April 1948, HHStA, BMAA, 112.664, pol-48, K 22, 1948.

¹⁴⁴ Marshall (Bogotá) to Lovett, 7 April 1948, FRUS 1948, II, p.1491. Ardelt and Haas misread this dispatch ('Westintegration', p.390) as evidence of American determination to break off the Treaty talks.

¹⁴⁵ Lovett to Reber, 10 April 1948, FRUS 1948, II, p.1495.

forcing all possible concessions, he argued, the United States should be ready to withdraw and

base Austrian security, after current year, on [a] military guarantee from West rather than on presence of Western forces in Austria. Alternative would appear to be at best continued political and economic insecurity resulting from presence of Soviet troops and at worst total absorption of eastern Austria, including Vienna, into Soviet sphere.¹⁴⁶

When, in the middle of April, the Russians withdrew their previous opposition to Austria building up an army before the end of the occupation it could hardly be doubted any longer that they wanted a Treaty.¹⁴⁷ Reber recorded, revealingly, that "it can no longer readily be assumed that Soviets will not accept conditions which we have stipulated for Austrian independence, and we therefore may be faced with the possibility of rejecting the treaty on strategic grounds after reaching agreement in principle."¹⁴⁸ Cullis noted in his diary that the Soviet concession "seems rather to have alarmed the Americans!" and the following day described "Franco-American attempts to prolong the occupation indefinitely" [sic!] as "hopelessly misconceived."¹⁴⁹ Marjoribanks, on the other hand, echoed Reber in his view that "it now appears that we could not find any valid grounds to hold things up even if we wanted to" and continued to be much exercised by Austria's military weakness.¹⁵⁰ On April 16 Bevin flew to Paris to confer with Bidault about the Western Union. He told him that

¹⁴⁶Erhardt to Marshall, 21 April 1948, FRUS 1948, II, p. 1500. For discussions on a guarantee for Austria see below, pp.211-4.

¹⁴⁷Deputies, 96th Session, FO to Vienna, 15 April 1948, PRO, FO 371/70433/C3034.

¹⁴⁸Reber to Marshall, 14 April 1948, FRUS 1948, II, p. 1497.

¹⁴⁹Cullis Diary, entry for 14 April 1948.

¹⁵⁰Marjoribanks, 15 April 1948, PRO, FO 371/70409/C3347.

in view of the important concessions which the Soviet government were now prepared to make there should be no delay in signing a treaty. We should in any case have several months while the treaty was ratified and before our troops were removed during which the Austrian army could be formed and properly armed. M. Bidault said he entirely agreed [but] emphasised....that it was most important that arms should be supplied to Austria without delay by the Americans.¹⁵¹

Four days later Marjoribanks reported to Bevin that "the Americans, as well as the French, have now come round to your point of view regarding the advisability of reaching early agreement on the Treaty."¹⁵²

Whatever Reber may have said in London, this was hardly an accurate description of the situation in Washington. Kleinwächter reported the agonising about the lump-sum taking place there:

Der blosse Gedanke an eine mögliche Aufrollung dieses Problems erregt geradezu panischen Schrecken. Die Zusammenhänge der in Potsdam begangener Fehler mit den Wahlchancen der demokratischen Partei sind zu offensichtlich um nicht jeder Erörterung dieser Frage ängstlich auszuweichen. Ich glaube, dass es bei uns noch immer nicht voll erkannt wird, dass die Mittel für die Ablöse, sollten sie uns von den Vereinigten Staaten zur Verfügung gestellt werden, vom Kongress bewilligt werden müssten.¹⁵³ Dass eine derartige Vorlage im Kongress sehr lebhaft und eingehende Debatten nach sich ziehen würde, steht ausser Zweifel und dass die Regierung dies unter allen Umständen vermieden zu sehen wünscht, ist ebenso gewiss....[Dazu] treten...noch die bekannten Bedenken hinzu, wie [die] Aufgabe einer günstigen strategischen Position....die Befürchtung, dass wir den uns nach Abzug der Besatzungstruppe gestellten Aufgaben nicht gewachsen wären, und dgl. mehr. Meine persönlichen Hoffnungen auf einen günstigen Ausgang der gegenwärtigen Londoner Verhandlungen

¹⁵¹Conversation between Bevin and Bidault, 16 April 1948, PRO, FO 371/73057/Z3414.

¹⁵²Marjoribanks, 20 April 1948, PRO, FO 371/70396/C3153.

¹⁵³Original emphasis.

beruhen lediglich darauf, dass die Amerikaner durch Konzessionen von russischer Seite derart in die Enge getrieben werden, dass sie das Odium den Vertrag vereitelt zu haben, nicht auf sich nehmen.¹⁵⁴

In Vienna there was now little doubt that the Russians wished to see a Treaty. After speaking to the Soviet High Commissioner Figl reported that "die Russen drängen auf den Staatsvertrag" but he added: "Welche politischen Gründe sie dafür haben, kann man noch nicht ersehen. Es ist daher unsere Pflicht sehr vorsichtig zu sein." ¹⁵⁵

In London, Washington and Vienna therefore, there was uncertainty about how to interpret the Soviet Union's wish to agree an Austrian Treaty. The second pre-condition for a settlement outlined at the start of this chapter - western acceptance that the Soviet Union had no sinister designs on Austria - had not been fulfilled.

One result was that the discussion of Yugoslavia's claims, which was now resumed, suddenly took on an unexpected extra significance.

¹⁵⁴ Kleinwächter to Gruber, 23 April 1948, HHSStA, BMAA, 113.176, pol-48, K.26, 1948; see also Lovett to US Legation, Vienna, 14 April 1948, FRUS 1948 II, p.1497.

¹⁵⁵ AVA, MRP 108, 20 April 1948.

CHAPTER FOUR: THE AUSTRO-YUGOSLAV SIDE-SHOW

1. The Yugoslav claim

From the outset Yugoslavia's chances of successfully asserting her claim to "Slovene Carinthia" were slim.¹ Although the Moscow Declaration had not - as sometimes mistakenly asserted - contained any legal commitment to restore Austria's 1937 frontiers,² there were few compelling reasons for western officials to contemplate any change in the case of the Carinthian border. First and foremost it was considered that the 1920 plebiscite had settled the issue.³ Compared to Venezia Giulia, Trieste or South Tyrol, where ethnic, strategic and economic criteria cut across each other and gave rise to some heated discussion, the matter appeared clear-cut. Furthermore, if Austria was to be restored as a barrier to German expansionism there appeared little point in reducing its size or alienating its population. On 18 May 1944 British ministers agreed that, while a later return of South Tyrol and the Kanaltal should not be finally ruled out, for the immediate purposes of surrender Austria's 1937 boundaries would apply.⁴

¹See FO discussion of the claim after a radio broadcast by Tito on 12 September 1944, PRO, FO 371/44279/R16683. The claim was also advanced by the Yugoslav government in exile and Mihailović (Yugoslav Documents, nos 1 and 4, (Yugoslav Information Department) London, 1941, 1943; Jozo Tomasevich, The Chetniks, Stanford 1975, p.168.

²E.g. Theodor Veiter, Das Recht der Volksgruppen und Sprachminderheiten in Österreich, Vienna, 1970, p.331.

³There was even a suggestion - albeit tentative - of transferring a small area south of the river Mur from Yugoslavia to Austria, F.O.R.D. Paper, 'The Frontier of Austria', 18 February 1944, PRO FO 371/40598/U2331.

As the war neared its end, the desire to strengthen Austria against Germany was reinforced by another consideration - the wish to contain communist Yugoslavia. Realising that Britain would probably be the occupying power in the frontier zone, the British delegation at Yalta attempted to get an Allied declaration recognizing the 1937 Austro-Yugoslav frontier "pending the decision of the Peace Conference."⁵ They were unsuccessful and the question remained open. The confrontation between British soldiers and Yugoslav partisans in southern Carinthia which then took place will not be described in detail here⁶ except to make one point. The attempt to create a fait accompli robbed the Yugoslav argument of most of any credibility it may have had in the eyes of the British public. The so-called "plebiscite by rifle"⁷ appeared all too reminiscent of Hitler's policies over the Sudetenland - an analogy which seemed further re-inforced by the steady flow of couriers from across the border, Slovene nationalist allegations of British repression (much of it exaggerated) and repeated demonstrations in favour of joining Yugoslavia. However unfair the comparison, it became commonplace in the

⁴APW(44)4th Meeting, 18 May 1944, PRO, CAB 87/66.

⁵British Proposal, 10 February 1945, FRUS, Conferences of Malta and Yalta, p.887.

⁶Accounts of the confrontation i.a. in Stanley, pp.281-4, 316-7; Rauchensteiner, Sonderfall, pp.85-7; Stefan Olschewski, 'Die Psychologische Kriegsführung der Tito-Partisanen', Unpublished PhD. Vienna Univ, 1975; Thomas Barker, The Slovene Minority of Carinthia, New York 1984, p.238 ff.; Wilhelm Wadl, Das Jahr 1945 in Kärnten, Klagenfurt 1985; August Walzl, Kärnten 1945, Vom NS Regime zur Besatzungsherrschaft im Alpen-Adria-Raum, Klagenfurt 1985.

⁷Josef Rausch, Der Partisanenkampf in Kärnten im Zweiten Weltkrieg, Vienna 1979, p.84.

following years.⁸

It is difficult to judge exactly how many Carinthian Slovenes were in favour of a border revision in 1945. British reports may well have understated the extent of genuine Slovene irredentist sentiment by ascribing it solely to intimidation or propaganda⁹ but it is also clear that Slovene nationalist and Yugoslav claims of almost total support among the Slovene population were exaggerated. The arguments advanced for redrawing the border were not in any case based on a claim of numerical support among the population. They rested, firstly, on the claim that Slovene partisan activity provided their demands with legitimacy and secondly, that the process of German assimilation which had taken place since 1920 had invalidated the plebiscite result. Even if the British had accepted these claims - which they hardly did - they would not have shared the conclusion about the need for a frontier revision.

In the Foreign Office at any rate there was no disposition even to consider it.¹⁰ As a result, the memoranda presented by the provisional Carinthian government in September 1945 arguing in favour of the existing frontier were largely superfluous:¹¹

⁸Manfried Rauchensteiner, 'Die Folgewirkungen vom Abwehrkampf und Volksabstimmung auf die Österreich-jugoslawischen Beziehungen seit 1920', in Helmut Rumpler (ed.) Kärntens Volksabstimmung 1920, Klagenfurt 1980, pp.336-46, here p.343-6.

⁹According to an intelligence report of October 1945 in a number of areas near the border "the bulk of the population is almost entirely in favour of an annexation to JUGOSLAVIA, not so much as a result of inner conviction as of protracted and intensive propaganda and pressure", Consolidated Intelligence Report, 24 October 1945, PRO, FO 371/46651/C7747.

¹⁰See conversation between Orme Sargent and M. Leontić, Yugoslav Ambassador in London, 17 July 1945, DBPO, doc. 317.

E.J. Passant of the Foreign Office Research Department noted on the first one:

The figures in this statement have been checked and are accurate. The general argument appears to be entirely reasonable and the Yugoslav case for any partition of Carinthia is certainly very weak. So far as I know no good grounds exist for supposing that the position has materially changed in this area since 1920 when, despite very favourable conditions for the Yugoslavs, the verdict of the plebiscite was in favour of Austria. Even the elimination from the voting list of the most ardent Nazis and their supporters seems unlikely to affect a new plebiscite very materially. And, in view of the result in 1920, it may be thought otiose to hold one. If Austria is to remain a 'free and independent State' there are strong reasons for respecting the territorial settlement arrived at after much careful consideration after the war of 1914-18.¹²

Over the succeeding four years Passant's comment was to be followed by many of the same ilk. Formally and legally speaking, however, the question remained to be settled by the Peace Conference which, it was expected at the time, would finalise the post-war settlement. In line with this General Alexander told Tito that he would "administer the area impartially and without prejudice to any claims you may wish to make later to portions of Austria."¹³

Alexander's statement may have helped the Yugoslavs withdraw from Carinthia without losing face, but it had the disadvantage of suggesting that the border question

¹¹ See the exaggerated estimates of their effect by J. Haas, 'Zwei Kärntner Denkschriften von September 1945', Carinthia I, 150, 1960, pp. 879-885; Veiter, p. 264, n. 12; Stourzh, Geschichte, p. 24; Wilhelm Neumann, introduction to re-issue of Martin Wutte, Kärntens Freiheitskampf, 1918-1920, Klagenfurt 1985, xviii-xxii.

¹² Passant, 30 October 1945, PRO, FO 371/46682/C7159.

¹³ Alexander to Tito, 11 May 1945, PRO, CAB 122/1578.

was more open than in reality it was. As a result of this and similar western statements the hopes of many Slovene activists in Carinthia and Yugoslavia may have been kept alive, on the basis of what was to a great extent an illusion. Throughout the summer and autumn of 1945 the continuing flood of allegations of British protection of Nazis in Carinthia, persecution of Slovenes, the running series of demonstrations and meetings in the border area kept the issue alive.

On the whole the British authorities considered this an irritant but little more. The official BBC line was to avoid being "tempted to give publicity to Yugoslav allegations of discrimination against the Slovene minority by refuting them."¹⁴ Nevertheless these accusations could evidently also touch a raw nerve. This is shown by the discussion which took place early in 1946 about the idea of transferring the Slovene Carinthians to Yugoslavia.¹⁵ From the end of 1945 the Volksdeutsch population had started to be expelled from Yugoslavia in increasing numbers - often in conditions of great hardship.¹⁶ In January 1946 all four occupying Powers were asked by the Yugoslav government to support its request to the German Control Council to take some 110,000 Volksdeutsche. This prompted Con o'Neill, then First Secretary in the German Department, to suggest a swop with the Slovenes of Carinthia:

We should certainly at some stage propose that one of the conditions for the transfer of the Germans from Yugoslavia, should be a readiness on the part

¹⁴PID Central Directive, 10 January 1946, R34/658, WAC.

¹⁵For an earlier suggestion of the possibility of an agreed exchange of the Slovenes (estimated at 30,000) and Volksdeutsche see FORD paper, 'The Austro-Yugoslav Frontier', 20 November 1944, PRO, FO 371/44346/R19436.

¹⁶Hans-Ulrich Wehler, Nationalitätenpolitik in Jugoslawien, Göttingen 1983, p.83 ff.

of the Yugoslavs to accept those Slovenes from Carinthia who want to go to Yugoslavia. Probably their numbers will not be more than 5 or 10,000 at the most; but it would be very useful to demonstrate how small the minority is over which Tito makes such a fuss. Our aim, of course, in linking this question with that of the Slovene minority in Carinthia would be to put an end to the Yugoslav agitations for frontier revision in this area.

Troutbeck, the Head of the Department, was sceptical. He warned that "we might find ourselves in very deep water, and I am not sure that we should get very much out of it." In any plebiscite "the pro-Tito Slovenes might very well elect to stay where they are. They don't want to go into Yugoslavia, they want Yugoslavia to take over their territory...[Although] the frontier question will have to be tackled some time...this seems to me a particularly provocative way of going about it." Troutbeck concluded that the inhabitants should be given the chance to opt in favour of moving only after the border had been finally fixed. Despite this comment, after some encouragement from Orme Sargent, o'Neill returned to the attack. This time he called for a forcible transfer:

The Germans in Yugoslavia are being given no option; and barbarous though the process is, I don't see why the Slovenes in Austria should be given any option either...In principle, I suggest, the transfer should be compulsory for all persons classified as Slovenes.¹⁷

Moral questions aside, o'Neill's advocacy of a policy which had been partly and brutally implemented under the Third Reich shows a surprising lack of political sensitivity. It also shows considerable ignorance of the situation in Carinthia: assimilation and intermarriage would have made any classification quite impracticable.

¹⁷Stevenson (British Embassy, Belgrade) to FO, 23 January, o'Neill, Troutbeck, Sargent, minutes 26 January to 4 February, Troutbeck to Street (C.O.G.A.) 11 February 1946, PRO, FO 371/55390/C911.

It was left to the British in Vienna to point out the obvious flaws in the suggestion. McCreery told the War Office that the scheme "would create more difficulties than it would settle."¹⁸ Mack emphasised that "while the activities of a comparatively small group of Slovene irredentists are a continual nuisance to our security and Military Government authorities, the bulk of the Slovene population...is content to remain in Austria and has no wish to be either incorporated in or transported to Yugoslavia."¹⁹ His judgement was endorsed by a detailed report from Peter Wilkinson, who estimated that only 250-500 Slovenes would be prepared to volunteer for transfer. Wilkinson concluded that although the activities of the Slovene nationalists were "a source of continual nuisance", the Slovene Liberation Front (Osvobodilna Fronta) "should not become an actual danger to security unless invasion seemed imminent." The concessions which had been made to "reasonable Slovene demands and rights" meant that "by far the majority of the Slovene-speaking population are well satisfied with these concessions and ask no more than a perpetuation of this benevolent regime." In London Troutbeck took the report as confirmation of his earlier scepticism.²⁰

With o'Neill no longer in the German Department, the idea seemed to have died a natural death. Early in July, however, it was revived briefly by John Colville of the Southern Department. Colville was principally attracted by the propaganda advantages of the suggested plebiscite in blunting any renewed Yugoslav campaign. He proposed making an offer to the Yugoslav government of an exchange, coupled with a free and secret ballot for

¹⁸ McCreery to WO, 1 March 1946, PRO, FO 371/55130/C2508.

¹⁹ Mack to Troutbeck, 22 March 1946, PRO, FO 371/55130/C3690.

²⁰ Wilkinson report, 'The Slovene Minority in Carinthia', Troutbeck, 11 April 1946, PRO, FO 371/55114/C4187.

the Slovenes:

It may be said that no practical results would emerge from either of these measures, but from the propagandist point of view I think the results would be valuable and would be an effective reply to the agitation which, for the purposes of internal consumption, may well be started once Tito and his advisors find that they have no chance of persuading the Peace Conference to go back on the decision about Trieste.

While conceding that "it is an idea which we should certainly keep up our sleeve" Cullis was sceptical and he was backed up by o'Neill's successor as First Secretary, Bernard Burrows:

It would certainly be desirable to get rid of the Slovene population of Carinthia and to settle once and for all the basis of the Yugoslav claim to a frontier in this area. But I think it is clear that the disadvantages of raising these questions now greatly outweigh the advantages. The Yugoslavs have not lately renewed their claim to frontier revision. Their propaganda about the treatment of Slovenes in Austria is occasionally tiresome...[but] once we admit that a plebiscite is necessary we imply that the frontier is not satisfactory and make it far more difficult to take up firm opposition to Yugoslav frontier claims in the future.²¹

Although the idea of a "swop" was mooted in the lower levels of the Allied Commission, by late summer it had been dropped.²²

These discussions were not a serious policy initiative. What they perhaps show most clearly is how propaganda attacks could cloud the judgement of even relatively experienced officials. Not only would a mass deportation of Slovenes from Carinthia have been

²¹Colville, 10 July, Cullis 22 July, Burrows 2 August 1946, PRO, FO 371/55130/C6858.

²²Prisoner of War and Displaced Persons Division, 1 August 1946, DPDI/P(46)15, 1 August, DPDI/M(46)35, 13 August 1946, FO 1007/152/153.

rejected by Tito,²³ it would have amounted to a public declaration of bankruptcy. The border question could not be settled by re-settlement, whether voluntary or compulsory. It had to be decided within the context of the Austrian Treaty.

2. Evading a compromise 1946-1948

In January 1947 the Yugoslav government formally repeated its claim to "Slovene Carinthia".²⁴ The claim was for an area of roughly 2,600 square kilometres with a population of about 200,000. In addition Yugoslavia claimed reparations to the tune of 150 million dollars.²⁵ In the course of the following three-and-a-half years the arguments of the Austrian and Yugoslav governments were to be repeated many times and their Foreign Ministers heard and cross-examined. In Austria itself, particularly in Carinthia, each diplomatic round was accompanied by a deafening background of declarations, marches, petitions, protests and counter-protests.²⁶ No doubt those in Carinthia old

²³ See interview with Tito in News Chronicle, 18 April 1947.

²⁴ The claim had originally been presented in the context of the Italian Peace Treaty, CFM/D/46/37, 23 February 1946, PRO, FO 371/57176/U2208.

²⁵ CFM/47/D/A/10, 21 January 1947, PRO, FO 371/66535/U173; see also Memorandum of the Government of the Federative People's Republic of Yugoslavia on Slovene Carinthia and the Burgenland Croats, Belgrade 1947. For an attack on conditions within Carinthia see Fran Zwitter, To Destroy Nazism or Reward it? An aspect of the Question of Slovene Carinthia, Belgrade 1947. For the economic importance of the area claimed see Stefan Karner, Kärntens Wirtschaft 1938-1945, Klagenfurt 1975. pp.112-127.

²⁶ Confrontations between demonstrators from the Slovene Liberation Front (Osvobodilna Fronta) and police and British security organs culminated in a clash at Eisenkappel on 16 March. In the course of the clash 9 OF activists and 1 German-Carinthian were arrested; Austrian account in HHStA, BMAA, 106.602 pol-47, K.

enough to remember the plebiscite of 1920 had a sense of déjà vu. Yet in reality history was not repeating itself. The border was not - as it had been 25 years earlier - a relatively open question. Both the hopes of Slovene nationalists and the fears of German-speaking Carinthians were largely without foundation.

By early 1947 the Austrians were firmly in the western camp while the Yugoslavs were seen as Stalin's most loyal henchmen. To alienate an actual or potential ally, already apparently under threat and in any case severely disappointed over South Tyrol, in favour of a country which appeared the backbone of Soviet power in central Europe, would have been perverse indeed. Few would have disagreed with Dean's view that the Yugoslav claims should be given "short shrift."²⁷ The Foreign Office Research Department rejected the proposition that the 1920 plebiscite had been unfairly conducted and considered the statistics presented in support of the Yugoslav claim to be "wildly inaccurate".²⁸ Legally speaking the question may still have been sub judice but in reality the verdict had already been given. The resulting discrepancy was nicely encapsulated in the statement given by Lord Pakenham (then Junior Minister

²⁶ (continued)
19, 1947; OF protest to Allied Council, ALCO/P(47)52, 29 March 1947; Yugoslav protest to the Council of Foreign Ministers, Moscow, Vienna to Moscow, 15 April 1947, PRO, FO 371/64058/C5909/C5977.

²⁷ Dean to Hood, (UK Delegation, Washington), 4 January 1947, PRO, FO 371/63945/C140; the pro-Yugoslav lobby was largely limited to the left wing of the Labour Party and was thus far less broad-based and effective than the "friends of Austria". For press comment see The Times, 2 January 1947; also the article in the World Today, by K.R.S[tadler], 'Slovene Carinthia: the Austro-Yugoslav Frontier Questions,' World Today 3, 1947, pp.390-7. For BBC policy see Policy Directive, 2 January 1947, WAC, R34/657.

²⁸ Hamilton, 20 January 1947, PRO, FO 371/63945/C861.

of State at the War Office) to the House of Lords on 28 January. The Yugoslav claims, he said, were "not worth the paper on which they are written. But of course they have to be investigated as coming from a Government with whom we have friendly relations."²⁹

Since the substance of the arguments presented on either side were by now of little importance they need not be discussed here.³⁰ The western position did not change as a result of them and would probably not have done so even if the Yugoslavs had adopted a different line of argument.³¹ Bevin continued to give "short shrift" to Kardelj in Moscow.³²

Nevertheless rejection was undoubtedly made much easier the evident exaggeration of the Yugoslav claim. By the same token a more moderate claim - based, for example, on those parishes which had voted in favour of Yugoslavia in 1920 - would have been correspondingly difficult to argue against.³³ It seems unlikely that the

²⁹ Hansard, House of Lords Debates, Fifth Series, 28 January 1947, vol. 145, col. 231. Pakenham's comment, Cullis noted, "was not in his 'brief', and his remarks may cause Lord Hood a certain amount of temporary embarrassment at Lancaster House: but I am sure that it is on the whole a good thing that some British government spokesman has taken the plunge and said what we all feel", Cullis, 31 January 1947, PRO, FO 371/64043/C1542 (original emphasis); Pakenham's prejudging of the issue was indeed later attacked by the Labour M.P. John Platts-Mills, whose adjournment motion in favour of the Yugoslav claim and critical of Pakenham's speech sparked off a brief and disorderly discussion, Hansard, House of Commons Debates, Fifth Series, 3 March 1947, vol. 434, cols. 201-212.

³⁰ For details see Arnold Suppan, Die Österreichischen Volksgruppen: Tendenzen ihrer geschichtlichen Entwicklung im 20. Jahrhundert, Vienna-Munich 1983, pp.175-187 and Stourzh, Geschichte, pp. 22-7. Thomas Barker's account (The Slovene Minority of Carinthia, New York 1984, pp.203-215) is unreliable.

³¹ Although Marjoribanks did note (16 April 1947, PRO, FO 371/64046/C5781) that if Kardelj "were cleverer he would concentrate on Austrian evictions of Slovenes (Footnote continued)

Yugoslav government did not realise this and it is certain, as we will see, that the Austrian government did. Gruber in particular feared a more modest claim far more than the possibility of the maximum claim being accepted.

What of the Soviet Union? It soon became clear to all parties that Soviet support for the Yugoslav claim was lukewarm. Admittedly, the argument put forward by Schärf in 1945, that Stalin had made a firm decision to maintain Austria's southern border intact (which was taken up by the Yugoslavs after 1948 as evidence of Soviet duplicity) does not appear convincing³⁴ but the Russians apparently did advise the Yugoslavs as early as 1946 to reduce their claim.³⁵ By April 1947 it was clear to all concerned that the Soviet assertion that the Yugoslav claims were "well-founded" was largely for the record.³⁶

In view of the position of the western, Yugoslav

³¹(continued)

and anti-partisan activities during the war which are much more difficult for the the Austrians to answer."

³²See Kardelj, pp.85-6.

³³A total of 18 parishes voted in favour of joining Jugoslavia in 1920. The total vote in these parishes was 6,731 in favour and 4,095 against. 17 of these formed a block contiguous with the border though including the two urban "Sprachinseln" of Eisenkappel and Bleiburg with their overwhelmingly German-speaking populations, Wutte, Anhang III.

³⁴Schärf's claim rested on an over-interpretation of a letter from Stalin to Renner of 12 May 1945 which spoke in vague terms of his desire to preserve Austria's "integrity" or "Gänzlichkeit"; text in Schilcher, Dokumente, doc. 37; David Dallin, 'Stalin, Renner und Tito - Österreich zwischen drohender Sowjetisierung und den jugoslawischen Gebietsansprüchen im Frühjahr 1945,' Europa-Archiv, 13, 1958, pp.11030-4; Stourzh, Geschichte, p.181, n.36.; Stadler (Schärf, pp.225-6) supports Renner's (and by implication Schärf's) interpretation but adds, in contradiction, that it was only the conflict
(Footnote continued)

and Soviet governments on the border issue, therefore, the main question early in 1947 was not so much whether the Yugoslav claim would be accepted but when and in what circumstances it would be modified.

This did not mean the way was open to a settlement. Apart At Moscow in April 1947, as we have seen, the Russians cleared the decks for a deal by obtaining compromise proposals from the Yugoslav government.³⁷ The Yugoslavs had already hinted to the French that they might be prepared to agree to a compromise involving two power stations on the River Drau close to the Austro-Yugoslav border.³⁸ Now, after consulting Belgrade, Kardelj spelled it out. The first two Yugoslav fall-back positions involved reductions of the territorial claim and the third concerned the regulation of two power-stations and would have involved no territorial claim at all.³⁹ As we have seen, Molotov's subsequent hint of a bilateral settlement for the Yugoslav claims in return for western concessions over

³⁴ (continued)

with Tito which led the Russians years later to drop the Yugoslav claim.

³⁵ Yugoslav note, 3 August 1949, BBC Summary of World Broadcasts.

³⁶ See for example Gruber's comments to the cabinet: "Russland [steht] hinter Jugoslawien. Zur Regelung dieser Angelegenheit wird in Moskau vermutlich ein Subkomitee eingesetzt werden. Ich glaube aber, wir können in dieser Sache doch Hoffnung haben, dürfte Russland aus taktischen Gründen diesen Weg gehen." AVA, MRP 59, 4 March 1947.

³⁷ Kardelj, p.85; see above, p.115.

³⁸ Both power stations, Schwabegg (Svabek) and Lavamund (Labod), had been begun and partially completed under the Third Reich. In 1943 they had reached an output of over 300 million and 37 million Kw. respectively (Karner, p.79, n.124.) For the Yugoslav complaints, first made in February 1947 on the disturbances to the flow of the Drau see Vienna to FO, 21 April 1947, PRO, FO 371/64047/C6081 and conversation between Bevin and Gruber of 24 April, PRO, FO 371/63962/C6348.

German assets was not followed up. Nevertheless Soviet readiness in principle to drop their support for Yugoslavia's claim had now been made clear beyond all doubt.

This did not mean the way was open to a settlement. Apart from Yugoslavia none of the parties concerned wished to settle the question in isolation. Even if Soviet policy towards Austria was now aimed at no more extracting the best possible economic bargain from Austria, there were obvious advantages in evidently maintaining the Yugoslav bargaining counter until the last possible moment. For slightly different reasons, the West did not wish to see the border question settled in isolation either - at least as long as the German assets settlement was unclear. A settlement of the issue on which Austrian public opinion was most easily mobilised might have increased the pressure on the West to make concessions over this central issue.

Gruber, as we have seen, had considered German assets the "wrong issue" on which to let the Moscow Conference break down.⁴⁰ The "right issue" was the border. As he told Bevin at the end of the conference

if the Treaty negotiations did break down in Moscow, he would rather be able to base the responsibility on the Yugoslav frontier claims, as to which he would have the whole Austrian

³⁹Text of Kardelj letter to Vyshinsky in Soviet Notes of 11 and 29 August 1949, supplement to New Times, Moscow, 34 and 37, 17 August and 7 September 1949 respectively; for extracts of a French agency translation of Yugoslav note of 3 August 1949 see Margaret Carlyle (ed.) Documents on International Affairs, 1948-1949, London, 1953, pp. 456-9; for Yugoslav note of 20 August 1949 see BBC, Summary of World Broadcasts and Appendix Four. Further references will be confined to date of note. See also Stephen Clissold (ed.) Yugoslavia and the Soviet Union 1939-1973: A documentary Survey, London 1975.

⁴⁰See above, p.113.

population behind him, than on German assets where there would always be a minority to contend that the matter could, and should have been settled bilaterally.

Bevin replied that "it might be difficult to make the frontier issue appear as the cardinal one, since Molotov himself had indicated that he did not intend to press this uncompromisingly."⁴¹ Nevertheless Gruber certainly tried and the Austrian parliament was informed that the border issue had stood at the forefront ("Allen voran") of all the discussions at Moscow.⁴²

In part Gruber may also have genuinely feared that the four Powers might do a deal over his head on the border. The Austrian delegation had been "nicht ohne Sorge" over Molotov's question.⁴³ This emerges more clearly from his comments to his officials made shortly after the break-up of the conference:

Die Russen haben niemals daran gedacht, Kärnten wirklich abtrennen zu lassen. Ich habe meine starke Erklärung im Radio nicht für die Russen, sondern für die Westmächte abgegeben, um Kärnten zu retten und die Tür für ein ungünstiges Kompromiss [sic] der Westmächte zu verschliessen! MARSHALL sagte mir eindeutig, dass MOLOTOW bereit war, in der Kärntner Frage nachzugeben, MOLOTOW sagte ihm: "Wir sind in der Grenzfrage nicht unnachgiebig; wir wissen, dass sie für Österreich nicht tragbar wäre. Österreich soll sich mit Jugoslawien zusammensetzen, das Österr.[eichische] Vermögen in Jugoslawien könnte einen Ausweg bieten".⁴⁴

In the following months the West, and in particular the British, helped keep a Yugoslav compromise at bay. While the Austrian Treaty Commission was laboriously wading through the morass of German assets the Yugoslav

⁴¹Conversation between Bevin and Gruber, 24 April 1947, PRO, FO 371/63962/C6348.

⁴²Text of Gruber's speech, 7 May 1947, Csaky, doc.55.

⁴³Gruber, Befreiung, p.142.

⁴⁴Meeting, BMAA, 29 April 1947, HHStA, BMAA, zu zl. 107.166, pol-47, K.25, 1947.

government approached with a compromise proposal. Early in June Tito publicly conceded that "the chances of obtaining everything we have asked for are poor" though he still believed "that we will obtain something." Charles Peake, British ambassador in Belgrade, reported that this probably meant "a slight frontier rectification near Maribor which is claimed on Hydro-Electric grounds."⁴⁵ Peake's forecast was correct. At the end of the month Philip Noel-Baker (now Minister for Civil Aviation) on a visit to Belgrade to open a British Council book exhibition, received details of a proposal which was identical with the first fall-back position which Kardelj had outlined to Vyshinsky in Moscow. The territorial claim was reduced to 210 square kilometres but the Deputy Yugoslav Foreign Minister, Aleš Bebler made it clear that he would also be prepared to consider a further compromise which satisfied Yugoslav economic interest in the two Drau power stations. These had been built by the Germans and their transfer, Bebler argued, "was not only a simple matter of justice, but would be a proper satisfaction in lieu of reparations."⁴⁶

British officials greeted the Yugoslav démarche frostily. At a meeting early in July it was agreed that "the Secretary of State would have to consider these claims when received from Belgrade, in the light of our policy towards Austria."⁴⁷ When the Yugoslav Ambassador in London, Leontić, returned to the attack later in July the Minister of State, Hector McNeil, told him "that I did

⁴⁵Belgrade to FO, 10 June 1947, PRO, FO 371/64047/C8046; see also 'Yugoslav Claim to Carinthia', The Times, 5 June 1947.

⁴⁶Conversation at Ministry of Foreign Affairs, Belgrade, June 14 1947, PRO, FO 371/64047/C11016; see also Arnold Suppan, 'Die Kärntner Frage in den Österreichisch-jugoslawischen Beziehungen 1945-1955', Das gemeinsame Kärnten, 10, 1985, pp.187-235, here 212-4.

⁴⁷Meeting in FO, 3 July 1947, PRO, FO 371/67414/R9113.

not want to mislead him or give him any false hope. I could only say that their latest proposals were being studied."⁴⁸ The study appears to have been largely intended as an anaesthetic. At the time of this conversation the Yugoslav proposal was suspended somewhere between the German Political and the Southern Departments of the Foreign Office. It continued to go through the normally well-oiled Foreign Office machine with uncharacteristic slowness.⁴⁹

Officials were well aware that the Yugoslav démarche was significant. Marjoribanks noted:

Now, as the treaty talks drag on and the Five Year plan is held up for lack of water-power they seem to have abandoned their territorial claims and would be prepared to compromise on obtaining control of the power stations.

Yet the letter which finally informed the British in Vienna at the end of August of the Yugoslav démarche failed to include this view and, in general, played down its significance.⁵⁰ Apparently the British government did not even give an official reply to the Yugoslavs and the dispute over the Carinthian border which Peake had hoped might be "settled without tears" continued for a

⁴⁸ Conversation between MacNeil and Leontić, 18 July 1947, Thompson, 22 July 1947, PRO, FO 371/67446/R10046.

⁴⁹ Conversation at Belgrade Ministry of Foreign Affairs, PRO, FO 371/64047/C11016. The document arrived in the Southern Department on 10 July, on 16 July it was seen by Warner, the Superintending Under-Secretary, who sent it to the Research Department for comments on the hydro-electric question. Only on 8 August did it come to the German Political Department.

⁵⁰ Marjoribanks, 8 August 1947, Marjoribanks to Cullis, 26 August 1947, loc.cit.; Marjoribanks described the reduced claim as "immaterial" and the claim for co-operative management of the power-stations as "arguable" (amended from "probably correct"). The phrase "they seem to have abandoned their territorial claim" was omitted.

further two years.⁵¹

When, at the end of September, the Treaty Commission did finally get round to discussing the border issue, the main British concern seems to have been to embarrass the Russians. Mack reported that "Novikov opened with a vague reaffirmation of Soviet support for Yugoslav claims, and suggested that we should at least hear [a] Yugoslav representative."⁵² This exchange was reported in the press with a fanfare of publicity but substantial distortion.⁵³ The following day Mack reported to London:

On Article 5 Novikov clearly felt himself in a position of some embarrassment, which was not decreased by publicity given in Austrian press to British statement of previous day....In declining to be drawn on [the] lines of Molotov's statement, and in reaffirming Soviet position, he was led by Mr. Cullis into grudging declaration of support for Yugoslav claims in their full, original form. (Due publicity will be given to this).⁵⁴

Since by now the Soviet government, too, had learnt

⁵¹Peake to Foreign Office, 17 June 1947, PRO, FO 371/67414/R8241.

⁵²Mack an FO, 22 September 1947, PRO, FO 371/64101/C12453; see also Austrian Treaty Commission, 69th Session, 22 September 1947, PRO, FO 371/64101/C12724.

⁵³See for example the report of the newspaper of the Carinthian SPÖ, Die Neue Zeit, 23 September 1947, which highlights the discrepancy between the public and the diplomatic position: "Dem sowjetischen Delegierten widersprach insbesondere der britische Delegierte mit der Begründung, dass die Jugoslawen bereits bei den vergangenen Aussenministerkonferenzen Gelegenheit hatten, ihre Forderungen vorzubringen und dass eine neuerliche Anhörung keine Änderung der Lage herbeiführen könnte...Einem Bericht der TASS zufolge bezeichnete Novikov die sich aus der jugoslawischen Forderungen ergebenden Veränderungen als unbedeutend. (Was Herrn Novikov als unbedeutend scheinen mag, bedeutete aber für Kärnten die Grundlage seiner Existenz - Die Red.[aktion]); see also Wiener Zeitung report of 23 September 1947 under the headline 'Novikov für Gebietsforderungen.'

about the Yugoslav approach to Noel-Baker⁵⁵ Novikov's embarrassment is understandable. It seems clear that these exchanges amounted to little more than elaborate shadow-boxing.

The British reaction had less to do with the intrinsic merits or demerits of the Yugoslav suggestion than with wider questions. After many weeks of virtual standstill in Vienna, officials in London were resisting the inclination of those such as Rendel to make compromises on German assets.⁵⁶ Public realisation of the Yugoslav readiness to compromise would have undercut this aim and increased the pressure to give ground.

A British response to the Yugoslav démarche would also have run counter to the broader process of European polarisation now in progress. The Foreign Office was engaged in a debate about the genuineness of a number of conciliatory moves by the Yugoslavs and senior officials in London were inclined to damp down what they saw as the excessive optimism shown by Ambassador Peake.⁵⁷ Suggestions of a compromise over the border would also have run the risk of upsetting both Washington and Vienna. The United States' relations with Yugoslavia were now even more frosty than Britain's and American sensitivity to the danger of a British "soft phase"

⁵⁴ Mack to FO, 23 September 1947, and ATC, 70th Session, British record, PRO, FO 371/64101/C12783/C1253.

⁵⁵ According to the Soviet Note of 29 August 1949 the Soviets first learnt of them when "one of the Yugoslav representatives blurted out the matter in a conversation with the Soviet Deputy Political Counsellor in Austria" and then officially at a meeting in Belgrade on 5 August 1947 between the Soviet Ambassador Lavrentiev, Tito and Kardelj.

⁵⁶ See above, p. 130 ff.

⁵⁷ See for example Warner's comment of 12 July 1947, PRO, FO 371/67419/R8938.

towards Yugoslavia had increased since Noel-Baker's visit.⁵⁸ It is not clear at what stage the Americans were informed about Bebler's démarche but it is significant that the Austrian government, the one most directly concerned, only learnt of it several months later and even then, only in oblique fashion. Late in October the Yugoslav government announced its intention of laying "substantial new proposals in respect of the main question" before the forthcoming Council of Ministers.⁵⁹ Shortly afterwards the British indicated to the Austrians for the first time that a reduced claim was likely⁶⁰ and a week later Schmid reported to Vienna with evident concern:

Erfahre im Foreign Office, dass Jugoslawien stark reduzierte Forderung auf Grenzgebiete, die auch nach österreichischen Angaben slowenische Mehrheit haben, stellen dürfte. Wird als nicht ungefährlich angesehen.⁶¹

The swift Austrian warning to western governments against holding a fresh plebiscite which followed⁶² is

⁵⁸ Cannon (US Ambassador, Belgrade) to Secretary of State, 11 November 1947, FRUS 1947, IV, pp.849-50; see also Charles G. Stefan, 'The emergence of the Soviet-Yugoslav Break. A personal view from the Belgrade Embassy', Diplomatic History 6, 1982, pp. 388-404.

⁵⁹ Yugoslav Embassy, London, to FO, 31 October 1947, PRO, FO 371/64058/C14007.

⁶⁰ Schmid reported Cullis as saying (on the basis of a reported remark by the Yugoslav ambassador in Prague) that "There are indications that the Yugoslavs may have changed their claims very much. They may demand only a small bit of territory around the power stations on the Drau or even only joint administration of the same" (English original), Schmid to Gruber, 8 November 1947, HHStA, BMAA, 110.623, pol-47, K.19, 1947.

⁶¹ Schmid to Gruber, 15 November 1947, HHStA, BMAA, 110.627 pol-47, K.16, 1947.

⁶² Undated Austrian draft telegram to western Ambassadors, HHStA, BMAA, 110.767, pol-47, K. 16, (Footnote continued)

hardly evidence that the West were actually considering one⁶³ but it does demonstrate once again how worried the Austrians were that they might.⁶⁴

By November British officials were preparing for the Yugoslavs to present "the modified demands foreshadowed in the Mr Noel-Baker's interview with Dr. Bebler in the summer." While noting Gruber's concern at the prospect of a "bilateral solution", Cullis did not think "we can oppose giving them a hearing" though "it should be left to Molotov to raise the matter."⁶⁵ In the event the question was not discussed at London. By the time the Treaty talks resumed in February 1948, however, the Yugoslav claims had assumed more importance. The previous summer the main point of disagreement had been German assets. Now, as we have seen, the Soviet government appeared for the first time ready, even anxious, to strike a bargain on the basis of the "Cherrière plan". There was much western doubt and uncertainty about how to react. After a rush of Soviet concessions the West - in growing embarrassment - succeeded in shifting discussions onto the other

⁶² (continued)
1947.

⁶³ As argued by Rauchensteiner (Sonderfall, p.256) and Holzer, (pp.183-4).

⁶⁴ In any case the Yugoslavs - perhaps to the relief of western officials - continued to reject the idea of a plebiscite. The Yugoslav ambassador in London, Leontić, rejected the idea early in December on the grounds that "the Germans had so altered and confused the situation during the war that no fair result would be obtained." Cullis noted: "I think we might make use in due season of this significant statement. For example, if and when the Yugoslavs are heard in the CFM, they might be asked if they were proposing that a plebiscite should be held; the answer, if along the above lines, will indeed make a poor impression." 8 December 1947, PRO, FO 371/64047/C15653.

⁶⁵ Yugoslav Note verbale, 1 December, Cullis 5 December 1947, PRO, FO 371/64151/C15450.

unagreed questions of the Treaty. Of these the Yugoslav territorial claim was by far the most important.

A substantially reduced claim by Yugoslavia at this stage might still have been hard for the West to oppose while a complete renunciation of any claims would surely have made the pressure to agree an Austrian Treaty almost irresistible. Schmid reported to the Ballhausplatz:

Es besteht [der] Eindruck, dass neuerlich jugoslawischer Vorstoss in Grenzfrage bevorsteht, [..und zwar] diesmal in Form von völkischer und kultureller Autonomie für Kärnten-Slowenen...plus kleinen Grenzberichtigung [sic] . Bezüglich letzterer glauben [die] Engländer, dass es sich um Bleiberg [sic=Bleiburg] "mit zwei umliegenden Wasserkraftwerken" handelt, wovon bei vorjährigem Besuch des Ministers Sir Noel Baker [sic] in Belgrad jugoslawischerseits gesprochen wurde. Wir müssen uns daher auf [einen] derartigen Versuch gefasst machen, bei dem natürlich Südtirol als Präzidensfall ausgespielt werden wird".⁶⁶

At the end of April 1948, therefore, Austrians, British (and presumably Americans and French) were girding themselves for a repetition of Bebler's compromise proposal.

3. The Adjournment of May 1948

The expected claim did not come. Instead - to the surprise of western officials - the Yugoslav claim was reduced merely from 2,600 to 1,920 square kilometres.⁶⁷

⁶⁶ Schmid to BMAA, 14 April 1948, HHStA, BMAA, 112.614, pol-48, K.23, 1948.

⁶⁷ Containing an estimated population of 150,000 (instead of 200,000), CFM/D/48/A/8, 26 April 1948, PRO, FO 371/70433/C3325. The account in Peter Calvocoressi (ed.) Survey of International Affairs 1949 - 1950, London 1953, p.285, states incorrectly that "the new claim comprised some 10,000 instead of 12,000 - (Footnote continued)

For the Austrian government this must have come as a relief as well as a surprise. A formal repetition of the earlier claim would have caught them on their weakest ground.⁶⁸

Why did the Yugoslavs concede so little? The main reason was probably the worsening relations between Moscow and Belgrade, of which the western governments had at this stage barely an inkling.⁶⁹ Having learnt of the Yugoslav initiative of June 1947 the Russians had tried to retain the Carinthian pawn until their other pieces were in position. In November 1947 the Soviet Deputy had allegedly told the Yugoslavs that "the USSR saw no reason why Yugoslavia should curtail her territorial claims on Austria."⁷⁰ It is clear from the exchanges between the two governments in 1949 that both sides had been attempting, at least since the previous summer, to shift the onus of publicly offering a compromise claim onto the other. By April 1948 the Soviets clearly wished the Yugoslavs to compromise, but relations between the two countries were now tense. The Yugoslavs were still waiting for a Soviet reply to their defiant note of 13 April and did not wish to expose themselves by declaring a readiness to "abandon" the

⁶⁷ (continued)

13,000 square miles [sic!]; it included an area of about 788 square miles in Carinthia, including the towns of Villach and Klagenfurt". In fact the new claim no longer included (the South side of) Villach, see Stourzh, Geschichte, p.52.

⁶⁸ Cullis noted afterwards (24 May 1948, PRO, FO 371/70466/C3977) that "it was a matter of some surprise to us that they did not bring a much more modest claim before the Deputies last month, since we had been given to understand that they were ready to reduce their claim to a very small area indeed."

⁶⁹ See Clissold, p.50ff; Vladimir Dedijer, The Battle Stalin Lost, Memoirs of Yugoslavia, 1948-1953, Nottingham 1970. p.97ff.

⁷⁰ Soviet note, 29 August 1949.

Slovenes in Carinthia. Two days before presenting their memorandum to the Deputies the Yugoslavs had tried - without success - to persuade the Soviet side to offer a compromise.⁷¹ Just how close they were to doing so themselves is shown by the fact that they simultaneously presented a draft autonomy statute - in obvious contradiction to the extensive territorial claim.⁷²

Having failed to pass the Carinthian buck the Yugoslavs evidently decided that caution was the best policy. Bebler now appeared embarrassed by his offer of the previous summer. In conversation with Sargent he "had not much to say about Yugoslav claims on Carinthia" and, on meeting Noel-Baker again, apparently made no reference at all to their earlier discussion.⁷³ Soviet diplomats attempted to bring Bebler round. Koktomov postponed the Deputies' meeting scheduled for 5 May and asked Bebler to "reflect whether it was worthwhile to insist on the alteration of the frontier [since] the West did not wish for any alterations and who was to make them change their views?"⁷⁴ Bebler did not budge.

⁷¹Telegram from the Yugoslav Ministry of Foreign Affairs to the Yugoslav Embassy in Moscow, 24 April 1948, White Book on Aggressive Activities by the Governments of the USSR, Poland, Czechoslovakia, Hungary, Rumania, Bulgaria and Albania towards Yugoslavia, Belgrade 1951, doc. 16.

⁷²See German translation of draft minority protection article in Stourzh, Geschichte, p. 52.

⁷³Bebler conversations with Sargent, 3 May, Mayhew, 4 May, Noel-Baker, 8 May 1948, PRO, FO 371/72600/R5629/R5791.

⁷⁴Cullis Diary, 5 May 1948; Aleš Bebler Cez drn in strn: Spomini, Ljubljana 1981, pp.175-8 (mistakenly referring to the Soviet Deputy as Gousev); I am indebted to Frln. Sonja Kölich for the translation from the Slovene; Later the Yugoslavs revealed (note to Soviet government, 20 August 1949) that on 5 May Koktomov had asked Bebler "several times what is the Yugoslav delegation doing to make matters easier? Has the Yugoslav delegation already undertaken any new steps with the French Government?" See also Appendix (Footnote continued)

The context in which these discussions took place has already been outlined. The Americans in particular, were doubtful about whether or not to agree a Treaty. From Washington Kleinwächter even went so far as to claim that the American delegation in London saw its most urgent task "die Schuld an dem erhofften Scheitern der Verhandlungen der Soviet Union aufzulasten und die Vereinigten Staaten von jedem Odium eines Misslingens freizuhalten."⁷⁵ Gruber, worried by what he saw as Austria's security weakness, was hardly more enthusiastic. On 22 March he presented his view on Austria's security position to western diplomats and laid stress on the need for time. He would like "an adjournment - as distinct from a breakdown - preferably on some pretext that could keep alive Austrian hopes of an eventual settlement."⁷⁶ As for Bevin he had favoured adjournment shortly after this meeting⁷⁷ but by mid-April had apparently swung back in favour of a treaty, if not necessarily immediate ratification and withdrawal. Marjoribanks, on the other hand, continued to oppose a Treaty so long as no guarantee was to be given to Austria.⁷⁸ Bevin may have shifted his ground again in the light of incidents with the Soviet troops at the cross-over points at Vienna late in April. A

⁷⁴ (continued)
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⁷⁵ Kleinwächter to BMAA, 4 May 1948, HHStA, BMAA, 113.381, Pol-48, K.26, 1948.

⁷⁶ Cullis, 31 March 1948, PRO, FO 371/70460A/C2343.

⁷⁷ See above, p.147. Gruber relates (Befreiung, p.192-3) that Marjoribanks told him he had received instructions to force the issue. When Gruber's evident wish to shift responsibility for the break away from himself and onto the British is taken into consideration, his account broadly tallies with these exchanges.

⁷⁸ See Marjoribanks' memorandum, (undated but apparently written at the end of March) PRO, FO 371/70409/C3797.

British aide-mémoire to the Americans at the end of the month cautioned that "there are two places in Europe where we are face to face with Russian aggression and where we may expect them to be up to every devilment - Berlin and Vienna." But this was written in the context of the Western Union discussions and could as easily have supported the argument for obtaining the withdrawal of Soviet troops by means of a Treaty.⁷⁹

At all events it appears that the failure of the Yugoslav government to repeat their compromise proposal of the previous summer now tipped the balance against further discussions on Austria. Though it is unclear what specific instructions, if any, Marjoribanks had received on the morning of 6 May he was clearly determined to press Koltomov on the border issue. Even so Reber "went further by stating that he saw no point in continuing negotiations on the Treaty unless the Soviet withdrew their support for Yugoslavia's claims regarding frontiers and reparations."⁸⁰ Marjoribanks added that it was important that at any resumed meeting the West "should be able to maintain the firm stand we have taken on this question of principle and not do what the Soviet want, namely pass on to discussion of the other articles of the Treaty, simply leaving the Yugoslav claims in abeyance." The talks were adjourned

⁷⁹ British aide-mémoire, 30 April 1948, FRUS 1948, IV, pp. 842-4.

⁸⁰ Marjoribanks report on Deputies, 110th Session, 6 May 1948, PRO, FO 371/70397/C3725. For the British record see PRO, FO 371/70434/C3679 and Appendix Three. Gruber (Befreiung, p.198) gives an edited version of this record, which significantly underplays the western pressure applied on Koltomov. Gruber's view that "Es scheint übrigens, dass die Antwort Koltomovs nicht ganz den sowjetischen Instruktionen entsprochen hat oder dass sie in der Übersetzung missverständlich wiedergegeben wurde" appears to be an attempt to shift responsibility for the breakdown away from himself.

sine die.⁸¹

British officials do not seem to have expected a long break. Cullis thought it would last "a few days."⁸² But Reber had other ideas. The following day he threw a completely fresh issue into the ring, declaring to his western colleagues that "his Government [was not] prepared to guarantee minorities who were safeguarded under existing agreements, including the relevant Articles of the Austrian Treaty." Marjoribanks cautioned that "no statement should be made now which had the appearance of finality" and added that "if the Soviet Delegation maintained its present attitude, and the Deputies adjourned indefinitely, then Mr. Bevin would probably wish to make a statement in the House of Commons."⁸³ It was becoming clear that the adjournment had taken the Americans off the hook and they had no wish to get back on it. A few days later Reber proposed forcing the issue by a formal approach to the Secretary-General of the Council of Foreign Ministers. He thought that "if the delay was prolonged it was improbable that he would be able to remain in London" and "mentioned that the U.S. government would not be sorry to have the Treaty delayed." It was agreed, however, that Marjoribanks would first approach Koktomov informally.⁸⁴

For the rest of May western officials waited for a response from Koktomov on the Yugoslav claims. Although the Americans ostensibly only wanted to suspend the

⁸¹Marjoribanks memorandum for Bevin, 6 May 1948, PRO, FO 371/70397/C3725.

⁸²Cullis Diary, 6 May 1948.

⁸³Meeting of western Deputies, 7 May 1948, PRO, FO 371/70397/C3793.

⁸⁴Meeting of western Deputies, 11 May 1948, PRO, FO 371/70397/C3907.

talks in order to give him a chance of getting new instructions, in fact their main concern was to put the onus for the break-down firmly on the Soviet shoulders.⁸⁵ When there was no Soviet response the western Deputies agreed that Reber should make another informal approach to Koktomov in order to "confront them with the plain alternative of continuing the discussions on a reasonable basis or of breaking them off on an issue where we are obviously in the right." Reber thought that to agree to continue discussions the moment the Russians accepted our terms would "only give the Russians indefinite opportunities for delay and for keeping us hanging about at their beck and call."⁸⁶

By now some of the British had begun to have second thoughts. Schmid described the British as being in "eine Art Katzenjammer" about the adjournment while the Americans, he thought, were probably "innerlich keineswegs unglücklich."⁸⁷ Cullis recorded in his diary that both he and Marjoribanks had "rather cold feet about the way things are going. But Kirkpatrick and Reber stood firm." Cullis now suggested that the talks might be resumed but with the West specifically reserving their position on the border. He argued that if the Russians accept this, "as they presumably will" the West would have "scored a moral victory which will more than compensate for any climb-down that might be involved."⁸⁸ Reber quickly nipped this in the bud. He produced a draft letter in his capacity as next Chairman of the Deputies which was designed to put the

⁸⁵ Marshall to Reber, 14 May 1948, FRUS 1948, II, p.1504.

⁸⁶ Meeting of western Deputies, 18 May 1948, Marjoribanks, 18 May, to Kirkpatrick, 19 May 1948, PRO, FO 371/70397/C3949/C3931.

⁸⁷ Schmid to Gruber, 26 May 1948, HHStA, BMAA, 113.378, pol-48, K.21, 1948.

⁸⁸ Cullis Diary, 21 May 1948; Cullis draft memorandum, 21 May 1948, PRO, FO 371/70398/C4204.

negotiations in what he called a state of "suspended animation." With Marjoribanks' support he also rejected a French compromise suggestion, though he did agree not to force the issue until the views of the Austrian government were known. Marjoribanks supported him, since "the Western Powers had adopted their present position largely to meet Austrian wishes and therefore if the Austrians were prepared to change their ground the Western Powers could conform to the manouevre."⁸⁹

It seems likely therefore, that in spite of the American hard line, the talks would have resumed if either the Austrians or the Russians had strongly wished them to. Neither did. Early in May Gruber had held out the prospect of agreement within 6-8 weeks, providing the Russians were ready to make concessions and he assured his anxious colleagues - somewhat misleadingly - that "Es steht ausser jeden Zweifel, dass die Westmächte bereit sind, den Vertrag zu schliessen, wenn die Hauptfragen geklärt sind. Es handelt sich jetzt nur noch um die Haltung von Russland." He continued:

Es schaut so aus, als ob Russland die Grenzfrage bis zum letzten Moment offenlassen will, und das ist für uns nicht angenehm, denn es könnte dazu kommen, dass die Russen zu Konzessionen bereit wären, aber für diese immer Geld haben wollen. Zu guterletzt sind wir auf diese Weise durch Ablöse eine beträchtliche Summe Geldes schuldig geworden. Es muss daher darauf bestanden werden, dass vorher die Grenzfrage geregelt wird. Die Grenzfrage selbst ist für uns ja klar. Keine Grenzänderungen und keine Reparationszahlungen. Die Hauptsache ist, dass sehr rasch gehandelt wird, damit keine verklauelierten Fragen entstehen, wie dies bereits einmal in Moskau geschehen ist. Eine solche Erledigung wäre eventuell die, dass die Mächte mit dieser oder jener Bestimmung z.B. den Grenzfragen einverstanden sind, die Regelung aber den beiden Staaten Österreich und Jugoslawien überlassen. Was aus einer solchen Regelung entstehen kann, ist ja klar. Beständige Unsicherheit im Grenzland, Auftreten von Partisanen, und beständige Hetzerei gegen Österreich.⁹⁰

⁸⁹ Meetings of western Deputies, 20 and 22 May 1948, PRO, FO 371/70397/C4088/C3980.

Gruber's arguments are not wholly consistent or convincing. Though he may still have had fears of a bilateral settlement there was now even less prospect of the West agreeing to one than at Moscow a year before and presumably Gruber realised this. Bevin had been the only one to express much interest in the idea then and he was too suspicious of "communist methods" to accept it now. As he instructed Strang:

I would refuse it now; keep to clean text fixing frontiers; there would be no free negotiation if it was put[.] Say frankly; while we were originally agreeable to get a settlement[,], nothing happened and it is therefore dead. Besides we are convinced free negotiations would be like Greece and Hungary.⁹¹

Gruber appears, therefore, to have been once more using the border issue, as a useful rallying-cry, not only for the Austrian population but also for those cabinet colleagues, especially the socialists, who were unhappy with the break-down of the Treaty talks. His main concern, as we will see, was about Austria's security.⁹²

However exaggerated, Austrian fears about the border were probably reinforced by a suggestion from the French shortly afterwards, that a further plebiscite be held at the end of May. Schmid told Cullis that

the idea was completely unsound. There might even be tiny areas near the frontier which would yield a small majority in favour of Yugoslavia: if the Yugoslavs would be [sic] entitled to claim these areas it would be the thin edge of the wedge.⁹³

⁹⁰AVA, MRP 111, 11 May 1948.

⁹¹Bevin, n.d. [? 21 February] 1948, PRO, FO 371/70395/C1485.

⁹²See below, p.208 ff.

⁹³Cullis minute, 24 May 1948, PRO, FO 371/70408/C4116. Cullis replied on 3 June 1948, that "we fully agreed, (Footnote continued)

Gruber had instructed Schmid to avoid an adjournment to a fixed date but seek an "Auseinandergehen mangels geeigneter Vertraungsbasis". In line with this Schmid told Cullis that Gruber was "fully satisfied with the attitude the Western powers had taken in the treaty negotiations with regard to the Yugoslav claims." Gruber approved not merely "the fact of our having chosen frontiers and reparations as a ground on which to break" but also "the fact of our having precipitated a break at all." Schmid did not think that any special effort to keep [Austria] apart from a general settlement would be likely to succeed.⁹⁴ Early in June Gruber was still satisfied that the break had been necessary. His main worry concerned the failure to "sell" it properly to the Austrian public. From Vienna Wilkinson reported:

I asked Dr. Gruber whether he had any criticism of the way in which Mr. Majoribanks had broken off the treaty negotiations. He said on the contrary that the timing had been quite admirable and that it had been fully concerted with himself and with the Austrian experts. His only complaint was that not nearly enough publicity had been given to the reasons for the rupture and we had missed an admirable chance of putting the Russians "on the spot". He thought the sudden breakdown of negotiations "had been a very painful surprise to the Soviet."⁹⁵

⁹³ (continued)

and were opposed to any such suggestion...A plebiscite in a limited area e.g. Eisen Kappel, [sic =?Bleiburg] might conceivably yield a narrow majority in favour of Yugoslavia. It would be entirely contrary to our policy to agree the cession of any such territory, however small." After a formal Austrian protest note arrived Cullis minuted that "the Yugoslav claims are wholly unjustified...and that it would be political folly to make any concession." English translation of Austrian protest note, 21 May, Cullis, 22 May 1948, PRO, FO 371/70397/C3984, FO 371/70398/C4253.

⁹⁴ 'Instruktionen für London', 22 May 1948, HHStA, BMAA, 113.580 pol-48, K26, 1948; Cullis, 24 May 1948, PRO, FO 371/70408/C4116.

⁹⁵ Wilkinson to Marjoribanks, 11 June 1948, PRO, FO (Footnote continued)

At the end of May Gruber asked the Soviet Union to agree that "consideration of questionable Yugoslav claims does not constitute...an absolute precondition for conclusion of a State Treaty with Austria." Any such a condition would clearly have contradicted the very act of negotiation itself and it seems unlikely that Gruber really thought that the Soviet Union had insisted on it. Perhaps the note was an attempt to bring the Soviet Union back into the talks by throwing them a gentle lob or perhaps it was meant to placate the murmurs of discontent at home. At all events there was no Soviet reply for several months.⁹⁶

Marjoleine concluded that:

The Russian position at this stage is not easy to fathom. Koptomov had been "flummoxed" by the western tactic.⁹⁷ Soon after he "expressed some anxiety about the recent turn of events...hinted that he did not support the full territorial claim...but felt that there were certain limited areas that might justly be ceded to Yugoslavia."⁹⁸ To Reber he complained that "he had been placed in front of an ultimatum."⁹⁹ Even so the Russians could probably have made a move if they had been determined to resume talks. Their reasons for not doing so may have been tactical¹⁰⁰ or perhaps, like the

⁹⁵ (continued)
371/70411/C4648.

⁹⁶ Austrian note to Soviet government, 31 May, HHStA, BMAA, 113.732 pol-48, K.21, 1948; Jerram to FO, 4 June 1948, PRO, FO 371/70398/C4353.

⁹⁷ Cullis Diary, 6 May 1948.

⁹⁸ Meeting of western Deputies, 7 May 1948, PRO, FO 371/70397/C3793.

⁹⁹ Reber to Marshall, 19 May 1948, FRUS 1948, II, p.1505.

¹⁰⁰ For example on 23 June 1948 Walter Wodak reported to Gruber (Schilcher, doc. 41) that he had learnt "aus verlässlicher englischer Quelle" that Koptomov had
(Footnote continued)

Yugoslavs, they wished to wait to see how relations between Moscow and Belgrade would develop, rather than expose themselves to the charge of having "betrayed" the cause of the Carinthian Slovenes.

By the end of May it was clear that no Russian move was likely. Cullis' proposal of a conciliatory move now received a firm thumbs-down. Kirkpatrick "did not think there was any advantage in early resumption of talks and that we should wait to see how Soviet policy developed on wider issues." Reber said "he would have the greatest difficulty in getting the United States government to swallow" the argument Cullis had put forward. Marjoribanks concluded that:

On present showing it would seem that neither we nor the Soviet would be prepared to compromise on the attitude we have taken. Some approach by the Austrians on these lines may be the best excuse for breaking the deadlock, if later this year it is felt advisable, in the light of the general situation, to re-open the Austrian talks.¹⁰¹

The reluctance of both Yugoslavs and Soviets to take any initiative on the border issue had thus meshed with western and Austrian misgivings which had quite different causes. Although it is an oversimplification to talk of the West having "torpedoed" the talks,¹⁰² it seems clear that those who were reluctant to agree a Treaty had seized on the border question as a means of deferring a decision. One result was that an issue which might easily have been settled on a compromise basis,

¹⁰⁰ (continued)
been told by Moscow "die jugoslawischen Reparationsforderungen fallen zu lassen, die jugoslawischen Gebietsforderungen aber bis zur endgültigen Einigung über Artikel 35 [German assets] aufrechtzuerhalten."

¹⁰¹ Marjoribanks, 28 May 1948, PRO, FO 371/70398/C4204.

¹⁰² Ardelt and Haas ('Westintegration', p.390), who also wrongly imply that the Russian reply to the Austrian note came immediately rather than several months later. See also Bader, pp.194-5.

was kept artificially alive for another year.¹⁰³

4. Disposing of the border question

Throughout the summer and autumn of 1948 western officials discussed - with varying degrees of urgency - the possibility of resuming the Austrian Treaty talks. The Cominform split may not have changed the substantive issue but it did make it difficult to argue that Soviet support of the Yugoslavs was a real obstacle to agreement. There was therefore a slight swing towards getting talks resumed in July. Marjoribanks now argued tentatively in favour of an approach by the western powers to the Soviet Union, even though "we would then place ourselves in rather an embarrassing position" and American support might be difficult to get.¹⁰⁴ The Berlin crisis put an end to such ideas, however. Although Bevin expressed himself "concerned at the stagnant position of the Austrian treaty",¹⁰⁵ neither he nor the Americans were ready to make any move which might be seen as a sign of weakness in Moscow. When Soviet officials responded favourably to an Austrian initiative at the end of September Bevin was still suspicious.¹⁰⁶ At a meeting with Schuman he speculated

¹⁰³ See Grayson's puzzled comment (p.144): "That the Yugoslav claims should prove such an insurmountable barrier to an Austrian treaty seemed incredible to the U.S., British and French representatives."

¹⁰⁴ Marjoribanks memorandum, 6 July 1949, PRO, FO 371/70398/C5834.

¹⁰⁵ Marjoribanks, 4 August 1948, PRO, FO 371/70398/C6504.

¹⁰⁶ See conversation between Gruber and Koptelev, 23 September, HHStA, BMAA, 117.418, pol-48, K.26, 1948: "Gruber: Diese Verhandlungen können sofort wieder aufgenommen werden, sobald die Sowjetunion erklärt, (Footnote continued)

that the Russians might be offering "a bargaining counter against our position in Berlin...[and] in accordance with the Marxist-Leninist theory [sic!], were now preparing to take a tactical step backwards."¹⁰⁷ In fact the declaration that the Soviet government were ready to resume talks can hardly have come as a surprise at all since, as Cullis noted, "it was we who insisted...on the rejection of the claim as a condition for continuing the talks."¹⁰⁸ In essence the Soviet statement it merely spelt out what had long been clear - that Soviet support for the Yugoslav claim was a matter of tactics.

By the start of 1949 the real importance - or unimportance - of the border question to the four Powers had not changed one iota. The difference now was that the West's argument that Soviet support of the Yugoslavs was standing in the way of agreement had lost any plausibility which it might have previously had.¹⁰⁹ This became clear even before the talks resumed in February.

¹⁰⁶ (continued)

dass eine Änderung des österr[eichischen] Staatsgebietes keine condition sine qua non des Vertragsabschlusses sei.

Koptelow: wir haben niemals erklärt, dass eine Änderung der Grenzen eine condition sine qua non des Vertragsabschlusses sei.

Gruber: Meiner Erinnerung nach hat das Herr Koktomow in London sehr deutlich erklärt.

Koptelow: das ist nicht richtig."

See also conversation between Gruber and Vyshinsky, 16 October 1948, HHStA, BMAA, Zu 117.790 pol-48, K.26, 1948.

¹⁰⁷ Conversation between Bevin and Schuman, 2 October 1948, PRO, FO 371/70398/C8239; Meeting of western Foreign Ministers, Paris 4 October 1948, PRO, FO 371/70398/C8291, Dean to Kirkpatrick, 16 October, Cullis 21 October 1948, PRO, FO 371/70399/C8580; Cullis Diary, 11 October 1948.

¹⁰⁸ Jerram to FO, 27 September, Cullis, 29 September 1949, PRO, FO 371/70398/C7953.

¹⁰⁹ On the resumption of talks see Jerram to Dean, 1 October, PRO, FO 371/70398/C7959; Jerram to FO, 19 October (Footnote continued)

The ostensible reason for breaking off the talks in 1948 had been the Soviet failure to agree to drop its support for Yugoslavia's territorial claim. Yet the West now resumed them without any assurance from the Soviet Union that it had modified its position at all.¹¹⁰ But now the Austrians had no wish to see the question placed in the fore-front of discussions. The Americans too, perhaps in a desire to court the Yugoslavs, had swung round from the previous summer and Reber emphasised "that this was a fresh start and therefore not to begin by inviting a head-on clash on the question of the Yugoslav claims."¹¹¹ Some British officials proposed, with more logic than common sense, that the frontier question should be raised first to find out if the Soviet position had altered. Kirkpatrick, sharp as ever, objected on the grounds that

we were seeking to combine two mutually exclusive lines of approach, and that we must decide either to have a "showdown" (as last Spring) or to concentrate on the durability of avoiding an early breakdown. We could not have our cake and eat it.¹¹²

In the end it was decided to eat a little humble pie instead and the Treaty talks resumed without any Soviet retreat from a position, which only seven months earlier had allegedly precluded any further discussion.

¹⁰⁹ (continued)

October, Washington to FO, 9 November, 1948, PRO, FO 371/70399/C8737/C9098; Austrian note to Four Powers, 6 December 1948, Csaky, doc.76.

¹¹⁰ See Bader, pp.194-5.

¹¹¹ Cullis record of a conversation with Schmid, 12 January, Cullis, 25 January 1949, PRO, FO 371/76435/C328/C686 (original emphasis).

¹¹² Draft minute, Marjoribanks, 31 January 1949; Cullis minute reporting Kirkpatrick's views, 2 February 1949, PRO, FO 371/76435/C965.

Confident that the West would not force a second "show-down" on the issue, the Russians could hide behind the Yugoslav delegation. The Yugoslavs' position, as they themselves soon realised, was growing weaker by the day. Bebler's attacks on the Austrians were an indication of frustration rather than aggression. In private he fished, with increasing desperation, for a face-saving formula. To Reber he expressed his "personal opinion" that the transfer of the title to the power stations possibly including a strip of territory ten miles deep and a separate southern Carinthian province might be a suitable solution.¹¹³ Soon afterwards he told Marjoribanks that "if there was to be no solution [in the form of a boundary change] it would be better in so far as public opinion in Yugoslavia was concerned to maintain the full territorial claim."¹¹⁴

Western officials certainly listened to the Yugoslavs more sympathetically than they had the previous year. At a meeting of the western Deputies Marjoribanks asked "whether it might be possible ultimately to support the transfer of a small area - e.g. that around Lavamund - as a final solution of the whole question." This was the first time such a suggestion had been made but - even in these tentative terms - it was quickly rejected as "not only probably unnecessary but was in any case precluded by the firm declarations made on numerous occasions on the frontier question." The idea of a autonomous area or separate province for southern Carinthia, however, was viewed more sympathetically:

It was felt that the proposal was harmless, provided it involved no interference with Austria's sovereignty in her internal affairs, and that the

¹¹³ Reber to Acheson, 12 February 1949, FRUS 1949, III, pp.1073-4.

¹¹⁴ Conversation between Marjoribanks and Bebler, 15 February 1949, PRO, FO 371/76436/C1519.

separate Slovene area was not established in such a way as to give the Yugoslavs a basis for reviving their frontier claims at a later date.¹¹⁵

Nevertheless the charge that the West was ready to do a deal at Austria's cost and behind Austria's back has little foundation.¹¹⁶ Even though they attempted to keep the details of Yugoslavia's conciliatory attitude from Vienna in order to draw the Yugoslavs out¹¹⁷ Kirkpatrick explicitly ruled out putting any pressure on the Austrian government. The Austrians were merely to be sounded out and if they were "disposed to do a deal, the Russians will have lost a bargaining counter. If, on the other hand, they decline to agree to even the smallest concession, we shall be on sound grounds with the Austrians if the Treaty negotiations collapse."¹¹⁸ Shortly afterwards he expressed this view to Schmid when the Austrian minister stressed the differences between the Carinthian and Tyrolean situation, and pointed out the security dangers which the creation of an autonomous area would bring. Kirkpatrick commented tartly: "Sie wollen also, dass die Konferenz bis Oktober dauert". Schmid's impression after this interview was "äusserst zweideutig." ¹¹⁹

¹¹⁵ Meeting of western Deputies, 16 February 1949, PRO, FO 371/76436/C1398G; Reber to Acheson, 12 February 1949, FRUS 1949, III, pp.1073-4.

¹¹⁶ See Austrian note of 10 February 1949 reaffirming opposition to any change in the frontier, PRO, FO 371/76435/C1200; Gruber's own account (Befreiung, p.207); see also Rauchensteiner, Sonderfall, p.268 and Holzer, pp.182-3; on 12 February Gruber asked Figl to instigate a parliamentary declaration, "um ein für alle Mal jene Gedanken an ein Kompromiss in der Grenzfrage selbst auszuschalten." Schilcher, doc. 43.

¹¹⁷ FO to Vienna, 16 February 1949 PRO, FO 371/76436/C1398; Reber to Acheson, 12 February 1949, FRUS 1949, III, pp.1073-4.

¹¹⁸ Kirkpatrick, 16 February 1949, PRO, FO 371/76436/C1519.

Nevertheless, both Bevin and Acheson were clearly opposed to making any substantial concession to the Yugoslavs - even in the form of an autonomy statute. Bevin refused to agree even to the principle of a plebiscite (in an unspecified area) and rejected Bebler's proposal for an autonomous area in southern Carinthia and a rectification involving the two power stations with the comment that "it was easy to see through the Yugoslav game. If their claim were granted they would try to foment trouble in the Slovene area."¹²⁰ Acheson, too, rejected an autonomous Slovene area as "entirely unacceptable."¹²¹ After this discouraging response Bebler returned to the official hearings and would do no more than repeat his general declaration of willingness to settle "on a compromise basis." Further attempts to "smoke [him] out" were unsuccessful.¹²²

British officials nevertheless began to tentatively

¹¹⁹ Schmid to BMAA, 18 February 1949, HHStA, BMAA, 87.391, pol-49, K. 21, 1949; Kirkpatrick's account in PRO, FO 371/76437/C1644. See also discussion on PRO, FO 371/76436/C1520.

¹²⁰ Conversation between Bevin and Bebler, 18 February 1949, PRO, FO 371/76436/C1520; but see also Bebler's account (p.249, wrongly dated as 1948) that after listening to the arguments "Bevin looked into my eyes...[and said] "The facts are on your side. But there is something we didn't mention. I mean the current situation. Here the Yugoslavs are on the wrong side. We, the British, have to consider the military side. The Austro-Yugoslav border has its military side too. And due to the fact that we do not trust you any more we have to think about in a military way. The mountains are the best border. That's why we are against any alterations. I'm sorry I have nothing better to tell you."

¹²¹ Acheson to Reber, 23 February 1949, FRUS 1949, III, p. 1075.

¹²² Deputies, 122nd Session, FO to Vienna, 24 February 1949, PRO, FO 371/76473/C1693.

explore the possibility of "some form of autonomous statute within the existing constitutional structure", apparently in the belief that Dr Gruber was "amenable".¹²³ Soon afterwards Gruber made it clear that he was not. The idea was dropped and Gruber reported that "durch die scharfe österreichische Reaktion, besonders in der Autonomiefrage, in Paris, in London und in Washington ist inzwischen die erwünschte Versteifung der westlichen Haltung eingetreten."¹²⁴

The possibility of an Austro-Yugoslav settlement on the lines of the 1946 Gruber-de Gaspari agreement over South Tyrol remained, but Gruber, while signalling his readiness to concede "ein paar bestimmte spezifische Schutzbestimmungen" successfully evaded Bebler's attempts to pin him down.¹²⁵ The chance of a bilateral settlement disappeared when Bebler left London on 10 March. Some desultory discussion followed until the Deputies dropped the question at the end of March.¹²⁶

The Yugoslav claim to Carinthia was finally buried by the four Foreign Ministers at Paris on 20 June 1949. What the four years' debate on this question chiefly demonstrate is the potency of the border question as a mobilising force in both Austria and Yugoslavia and how what was essentially a side-issue could be placed in the centre of public attention. The relative speed with which agreement on a minority protection clause was reached in August 1949 underlines yet again the point that the fate of the Slovenes of Carinthia was not a

¹²³ Marjoribanks, 21 February 1949, PRO, FO 371/76437/C1646.

¹²⁴ Gruber to Figl, 3 March 1949; HHStA, BMAA, 87.664 pol-49, K.21, 1949.

¹²⁵ Gruber account of conversation with Bebler, 1 March 1949, Schilcher, doc. 44.

¹²⁶ Acheson to Reber, 12 March 1949, FRUS 1949, III, pp.1081-3.

vital interest to any of the four Powers.¹²⁷ The issues which were considered vital had been raised in the course of 1947, deferred by the adjournment of May 1948 and moved, once again, into the forefront of discussions. They concerned Austria's existing and future relationship with western Europe and will be discussed in the following chapter.

On the surface the deal involved a caveat by which the West accepted the Soviet proposals for German unity in return for abandonment by the Soviet Union of Yugoslavia's territorial and reparations claims.¹ But if, as argued in the next chapter, Soviet support of Yugoslavia's claim had always been tactical and, on the assumption that the bargain struck did indeed involve substantive concessions on both sides, the question arises, what did the Soviets actually concede?

An Austrian memorandum of January 1949 points to the answer:

Die allmähliche politische Sanierung der westlichen Besatzungszone muss ein vernünftiger Kompromiss zwischen eingegangenen Verträgen und der Bewegung der Welt sein. ... auch die Sowjetunion ein gewisses Maß an Flexibilität auf sich, da ... eine politische Lösung der deutschen Frage freies Vorgehen in Ostdeutschland voraussetzt.

As the writer of this memorandum rightly saw, by 1949 Austria had become a bargaining chip in the Soviet occupation of western Austria - a key western stronghold. An agreement which had brought her merely

¹ Grayson, pp. 245-6; Geschichte, pp. 36-7; text of Memorandum, in Foreign Office Documents on International Affairs, London 1953, pp. 307-8.

² Memorandum to Austria in Documents on the Berlin Conference, 12 January 1949, FOIA, pp. 245-47, p. 247, 1949.

¹²⁷ For these discussions see Stourzh Geschichte, p. 57-62.

CHAPTER FIVE: AUSTRIA AND THE WEST: BASTION OR VACUUM ?

1. Austria and Western Europe

On 20 June 1949 the Foreign Ministers of Austria's four occupying Powers issued a communiqué at Paris announcing agreement over the basis of an Austrian settlement. On the surface the deal involved a quid pro quo by which the West accepted the Soviet proposals for German assets in return for abandonment by the Soviet Union of Yugoslavia's territorial and reparations claims.¹ But if, as argued in the last chapter, Soviet support of Yugoslavia's claim had always been tactical and, on the assumption that the bargain struck did indeed involve substantive concessions on both sides, the question arises: what did the Soviets actually concede?

An Austrian memorandum of January 1949 points to the answer:

Für eine...Politik der allmählichen Friedenssicherung und politischen Sanierung der westlichen Position muss ein vernünftig kalkuliertes Risiko eingegangen werden. Bei einer Räumung Österreichs nimmt....auch die Sowjetunion ein gewisses Risiko auf sich, da....eine politisch dem russischen System fremde Regierung in Österreich an der Macht ist.²

As the writer of this memorandum rightly saw, by 1949 Austria had become - notwithstanding the Soviet occupation of eastern Austria - a key western stronghold. An evacuation would have brought not merely

¹Grayson, pp.245-6; Stourzh, Geschichte, pp.56-7; text of communiqué, in Margaret Carlyle (ed.) Documents on International Affairs, London 1953, pp.507-8.

²Memorandum to Austrian ministers in Washington, Paris and London, ('Streng vertraulich'), 12 January 1949, HHStA, BMAA, 80.263 pol-49, K.20, 1949.

the restoration of Austrian sovereignty but also the virtual certainty that this sovereignty, once regained, would be an additional weight on the western side of the East-West scales. Austria was not an "embryonic" neutral state in 1949 and even those who thought that she should be did not believe she was. It seems hard to resist the conclusion that if the Soviet Union was indeed ready in the summer of 1949 to withdraw from Austria the reason was not, as often argued, that it wished or expected Austria to be neutral,³ but rather that it was ready to accept that Austria belonged, in some sense, to the West. If the West, and above all the United States, was ready to pay the price for a withdrawal then it was on the same assumption.

British and western discussions about a Treaty were less concerned with Austria's existing western orientation - which was not in doubt - than its continuation after a Treaty. Broadly speaking, western views can be divided into two categories - one "optimistic" and the other "pessimistic". On the first view American economic aid, Austria's stability and anti-communism would maintain her position as a barrier against the East, despite any economic burdens imposed by the Treaty. On the "pessimistic" view her economic and military weakness would create a vacuum which could be filled by the communists and would endanger her western orientation.

It would certainly be misleading to suggest that these differences were ever put forward in a coherent or clear debate. They took on a multitude of often contradictory and coded forms and contained many speculative and subjective ingredients. The same

³See for example Haas, 'Österreich 1949', pp.175-200; once Haas' premise of a latent Austrian neutrality is seen to be incorrect, his thesis that agreement in 1949 was frustrated because the West wished to undermine it falls down.

evidence about Soviet action could be used to draw diametrically opposite conclusions. Obstreperous Soviet behaviour in Vienna, for example, might be taken as an argument for maintaining western presence in order to bolster the Austrians, on the one hand, or for getting agreement in order to bring about a Soviet withdrawal on the other. The main argument of this chapter is that, whatever justification the "pessimistic" analysis might have had earlier, by 1949 it had very little. Increasingly, the arguments that a Treaty would bring Austria's "communisation" became used as a cloak to conceal quite different pre-occupations. These were, above all, American concern at the wider strategic and domestic political repercussions of making an agreement with the Russians. By the time the Americans had been brought round, largely as a result of British and Austrian pressure, the chance for agreement had gone.

2. Stand-offish British and nervous Austrians

The underlying theme of Britain's policy towards Austria, as Bevin wrote to King George after the Paris Conference, was the "liquidation of an anomalous and embarrassing commitment."⁴ Britain had few vital military or economic interests in the area and was even less willing than before the war to make a significant contribution to shaping its future. On the economic side she had been ready to help avert economic break-down of supplies after the end of the war and by way of UNRRA had made a contribution towards feeding the Austrian population, but her ability to continue this was obviously limited. The 10 million pounds supplied in December 1946 represented the last substantial aid she was able to provide. After the convertibility crisis of 1947 she was even less able to supply credit outside the

⁴Bevin to King George VI, 6 July 1949, PRO, FO 371/76782/C5392.

sterling block. In any case British exporters showed little interest in pursuing a small market in central Europe - whatever the political arguments in favour of doing so - while Austrian exports were either of non-essential goods or, where essential (like timber) too expensive to be commercially interesting.⁵

It was only logical, therefore, that the British military commitment to Austria was steadily scaled down. British Troops Austria (BTA) was low down on the list of British manpower priorities, already stretched to the limit across the globe. Whatever imperial illusions the British may still have nurtured, they did not include Austria.⁶ Any attempt to provide a military counter-weight to Russian forces was soon abandoned. In June 1946 the Chiefs of Staff resisted McCreery's call to reverse the run-down, arguing that "it is the presence of our forces rather than their numbers which is the important factor in preserving our position vis-à-vis the Russians" although it was still considered that the danger of a Yugoslav invasion meant that two brigades would be required at least up to mid-1947.⁷ By October 1946, however, even the contingency plans for active resistance in the case of a Yugoslav invasion - known somewhat whimsically as "Operation Larwood" - had been abandoned.⁸ Eight months later the British High

⁵Details in PRO, FO 371/64978.

⁶Nominal BTA troop levels declined as follows: June 1946: 25,000 (PRO, FO 371/55243/C5906); July 1948: 8,224 (PRO, WO 204/1175); October 1948: 7,000 (COS(48)142nd Meeting, PRO, DEFE 4/16).

⁷'Long-term policy towards Austria: Strategic Implications', JP (46)81, (Revised Final), 17 June 1946, Stapleton, Cabinet Office, to Troutbeck, 19 June 1946, PRO, FO 371/55258/C7116; see also Wilkinson's assessment of the Yugoslav threat in April 1946, PRO FO 371/55114/C4187 and above, p.161.

⁸PRO, WO 204/11171, 31 October 1946; for the political pressure for economies see House of Commons Estimates Committee, Fourth Report, London 1946 (conclusions).

Commissioner, General Steele, attempted unsuccessfully to resist further reductions, arguing that "with his present force he cannot possibly adequately defend the very difficult mountainous frontier between our zone and Yugoslavia, but must do the best he can by skilful dispositions backed by a considerable amount of bluff."⁹ The agreement signed by Steele and Tito in July 1947 at Bled helped reduce the level of violence on the Austro-Yugoslav border and provided some justification for cuts which probably would have been made anyway. At the end of 1947 the British began to hand over the task of supervising the border to the Austrian authorities.

Increased fear of communist subversion after summer 1947 did not affect this process. Although there was some discussion, in anticipation of a period of "economic warfare" with the Soviet-run USIA firms, of an "iron skeleton" in which reduced resources would be concentrated on strengthening Britain's economic aid and advice, little came of it.¹⁰ By the end of 1947 the British military presence had become largely token, capable of helping to maintain public order but hardly a serious military factor. The following year, under Treasury pressure to reduce sterling expenditure on the one hand and Austrian pressure to reduce occupation costs on the other, further cuts were made.

This steady run-down was paralleled on the diplomatic level by British efforts to limit the scope of any future commitment in the area. The American suggestion in June 1946 that the four Powers should guarantee to maintain "under the authority of the Security Council of the United Nations, against any

⁹Jenkins memorandum, 14 July 1947, PRO, FO 371/64068/C9973.

¹⁰Pakenham to Steele, 15 July, PRO, FO 371/64044/C9650; Southam memorandum, 18 August, Steele to Pakenham, 1 September, Marjoribanks, 6 September 1947, PRO, FO 371/64035/C12066.

impairment, the independence and territorial integrity of Austria" was viewed with unease in the Foreign Office. It seemed to contradict Bevin's remark about "refusing to have 'another Poland', meaning a guarantee which we were in fact quite unable to implement."¹¹ If the Chiefs of Staff, by contrast, favoured a four Power guarantee of Austria's borders it was because they saw it as a means of enlisting Soviet support against possible Yugoslav action, not because they wished to commit British troops to defend Austria. But even the prospect of a Yugoslav invasion did not lead officials in the Foreign Office - apart from Orme Sargent - to the conclusion that Austria should be treated as a special case requiring a British guarantee.¹² In the course of the first Treaty talks early in 1947 it became clear that the French and Americans favoured a more concrete guarantee of Austria's frontiers. But although the British moved some way towards them, they still hoped to restrict it to a vague affirmation linked as closely as possible to the United Nations.¹³

¹¹US Memorandum, CFM(46)3, 26 April 1946, Troutbeck to Burrows, (UK Delegation, Paris), 9 May 1946, PRO, FO 371/55247/C4881.

¹²COS to DCC, 5 September 1946, PRO, FO 945/51; Vienna to COGA, 13 September 1946, PRO, FO 371/55249/C1128; Peake (British Embassy, Belgrade) to FO, 16 December, Harvey, 23 December 1946, Sargent, 2 January 1947, PRO, FO 371/55249/C1128, FO 371/55250/C15633.

¹³Hood to Bevin, 24 January 1947, PRO, FO 371/63946/C1418; Meeting in FO, 6 February 1947, PRO, FO 371/64032/C2048; the American and French draft for Article 2, paragraph 2 (April 1947) stated that "the Allied and Associated Powers shall oppose any action, in any form whatsoever, that may threaten the political or the territorial integrity of Austria and in the event of such a threat will consult with one another and the appropriate organs of the United Nations with regard to appropriate action." The British re-drafted second paragraph made no mention of "opposing". The Russians considered the whole article unnecessary. See Clark Memorandum, 20 March 1947, FRUS, 1947, II, pp.506-7, Stourzh, Geschichte, pp.40-1, Sandner, pp.88-98.

(Footnote continued)

As we have seen, by the end of 1947 Bevin was hoping for a speedy evacuation. An enquiry to the Chiefs of Staff confirmed that there were no strong military objections. Though the Chiefs repeated their preference for a quadripartite guarantee they agreed that the recognition of the pre-Anschluss boundaries "should prove adequate" under certain conditions. Austria's role in maintaining air support for a possible evacuation of Trieste could be taken over by aircraft carriers. The danger of communist infiltration after evacuation caused some disquiet but the military repeated their view that "the complete evacuation of Austria is desirable." Dean replied that the danger of infiltration was a "risk we must take and one reason why we feel able to do so is precisely that the present Austrian Government, whatever its shortcomings, is solidly anti-communist...We are confident that it will do its utmost to maintain its 'western' character".¹⁴

Despite its importance in providing an impetus to the military consolidation of western Europe Bevin's "Western Union" speech of 22 January 1948 did not fundamentally alter this position.¹⁵ Whatever his views on Austria's political or spiritual affinity with

¹³ (continued)

¹⁴ Dean to Stapleton (Cabinet Offices), 27 November, COS (47) 155th Meeting, 12 December 1947, Waterfield to Dean, 13 December, Dean to Waterfield, 29 December 1947, PRO, FO 371/64035/C16374/C16153; FO 371/70388/C199.

¹⁵ Hansard, House of Commons, 5th Series, 22 January 1948, vol.446, cols. 383-409; Bevin's reference to Austria in his speech (col.406) was almost parenthetical and - in contrast to his generally gloomy tour d'horizon - cautiously optimistic. For the general background see Elizabeth Barker, The British between the Superpowers, London 1983, pp.112 ff.

western Europe may have been, he did not anticipate Austrian membership of the military core of the "Western Union." The main Treaty, he considered should be confined to France and Benelux and be "directed against Russian aggression through Germany". For "Italy, Austria and if possible Scandinavia special provision will presumably have to be made at some stage."¹⁶

The Austrian perspective was different. The difference did not centre on the question of Austria's western orientation itself, however, but on the means by which that orientation could best be maintained. There were, it is true, some Austrian expressions of the desire to be neutral in this period. But the argument that these were part of a deeper continuity, going back before the war, temporarily disappearing at the height of the Cold War before re-emerging in the mid-50s seems unconvincing.¹⁷ Many of these public expressions can be seen either as a reflection of an understandable concern not to offend Soviet susceptibilities or (until November 1947) to maintain the facade of an all-party "concentration" government which included a communist minister. Above all, the true test of the argument comes with the general European polarisation which became institutionalised after 1947. The wish to escape this polarisation was as strong in many other western European countries as in Austria and, it will be argued here, Austria was no more able to escape the logic of this polarisation than they.¹⁸

¹⁶FO to British Embassy, Washington, 26 January 1948, PRO, FO 371/73045/Z561. See also Nicholas Henderson, The Birth of NATO, London 1982, p.15 ff. Timothy Ireland, Creating the Entangling Alliance, London 1981, p.72.

¹⁷See Introduction, above.

¹⁸On the possibilities and failures of the 'Third Force' movement, see Loth, pp.198-215.

By 1948 Austria was a firmly established western bastion, re-inforced by a broad-based anti-communist consensus.¹⁹ This position was based on a sense of threat from the East and an intense dislike of the Soviet occupation authorities which, even if sometimes magnified for political ends, undoubtedly had a real enough basis. Figl expressed his attitude to Mack early in 1946 in the following terms:

Austria had a mission in the present moment. She was European. If Austria went, Europe went. Austria was the Eastern Fortress of Western Democracy amid a sea of Communism or potential Communism....The Chancellor was convinced that there would be no war between Russia and the Western Powers but he was also convinced that Russia would have to give way, and that it was in Austria that this process would have to begin.²⁰

A year later this sense of threat had not lessened. After the final communist take-over in Hungary both Schärff and Figl told Rendel of their fears that the Soviet Union intended to "secure political control Burgenland and its eventual separation from Austria." Figl even "professes to believe that the Russians aim at eventual annexation of Vienna in the hope of reversing consequences of historical turning point marked by successful resistance of Vienna to Turks."²¹ By 1948 the Austrian government could be reasonably sure that the Americans were prepared to pay to maintain her western orientation. America's financial commitment was sealed with the bi-lateral agreement on Interim Aid, signed on 2 January 1948.

What of a western military commitment? Even before communist take-over in Prague, the Austrian Government were clearly concerned to strengthen it. In an effusive

¹⁹See Pelinka, pp.169-201.

²⁰Mack to FO, 15 March 1946, PRO, FO 371/55284/C2924.

²¹Rendel to FO, 5 June 1947, PRO, FO 371/64089/C7777.

letter to Orme Sargent, the Austrian minister in Brussels, Lothar Wimmer, greeted the proposed Western Union as the virtual spiritual successor of the Habsburg Empire:

After Mr. Bevin's speech I simply cannot resist the temptation of writing you a few more lines.

I always wondered how strictly cogent political evolutions really are? In 1918 Austria fell and with her Austria's historical task, the defence of the Occident. How far were these so-called "succession states" really Austria's heirs? Were they aware of their new duties which were at the same time an element of their existence - or had this defence become superfluous as a consequence of progress? Was the fact that nobody took up this defence between 1918 and 1938 the consequence of the new Order which could well do without Austria and that Austria's mission had become obsolete?

I never quite believed it. Now Great Britain has taken up a heavy burden because no other country in the whole of Europe was morally fit to recognise that one cannot inherit the benefits and at the same time simply ignore obligations which are an indivisible part of the patrimonium....

But Mr. Bevin and your statesmen have done more than taken up a duty, which was once Austria's duty and privilege as well. Out of the existing chaos of drifting states, they have made up their mind to create a wider peaceful Union, something greater than Austria ever was.

I do not want to appear sentimental but we do pray for their success!²²

Wimmer's letter was not perhaps an official communication but Gruber seems to have largely shared his views.²³

In the Foreign Office Marjoribanks, a

²²Wimmer, (Austrian Legation, Brussels), to Orme Sargent, 28 January 1948, PRO, FO 371/73047/Z131 (original emphasis); see also Wimmer's memoirs Zwischen Ballhausplatz und Downing Street, Vienna-Munich 1958, 139 ff.

²³Wimmer, p.144.

middle-ranking official, was closest in tune with this line of thought. He considered that Austria's future stability must lie "not on the terms, satisfactory or otherwise of the treaty..but on the capacity of the western powers by economic assistance and advice (and an ultimate guarantee of military intervention) to safeguard her existence as an independent state."²⁴ He now addressed himself to the question of what was required to "avoid a sovietised Austria coming between Southern Germany and Italy." The danger of subversion would come, he argued, from agitation on the Carinthian border, the Czech border and - overlooking the fact that agreement on the basis of the Cherrière plan would eliminate them - from within the USIA firms. To overcome these dangers he suggested that Austria should either be incorporated into the Western Union or given a three Power Treaty of guarantee "on the lines of the Polish guarantee." This comparison prompted predictable objections from both Kirkpatrick and Strang. Sargent, on the other hand, as before, argued that Austria was a special case and rejected the analogy with Poland on the grounds that, unlike the latter, Austria would be accessible to western forces in Germany and Italy.²⁵

Bevin shared the caution of most of his senior officials. According to Strang

a good many Austrians seemed to assume that Austria was going to join the Western Union. This was not the Secretary of State's view. Austria should be one of the sixteen nations but should not be invited to become a member of the Western Union... [she] might perhaps become a guaranteed buffer state.²⁶

²⁴Marjoribanks, 23 January 1948, PRO, FO 371/70408/C5116.

²⁵Minutes by Marjoribanks, Kirkpatrick, Strang, Sargent, 12-19 February 1948, PRO, FO 371/70409/C1546.

²⁶Strang, 20 February 1948, PRO, FO 371/70395/C1444.

When he arrived in London late in February, therefore, Gruber found that the weight of British official opinion was cautious about including Austria in any discussions on western defence. Nevertheless he made clear his hope "that Austria would be admitted to the Western Union on conclusion of the Treaty" because "Austria....could not be expected to maintain her independence unless she threw her lot in with the West. She could not alone play the role of buffer State." Marjoribanks agreed, repeating his argument for a western guarantee. He thought that there was a "distinct possibility that unless Austria obtains a guarantee of her political as well as territorial integrity either through membership of the Western Union or by formal Treaty, she will be unable to resist gradual assimilation by the Soviet bloc."²⁷ Since the British record of the Gruber's conversation with Bevin shortly afterwards is not available, it is difficult to know precisely what turn discussions now took. Gruber's report after his return to Vienna late early in March makes his own anxiety very clear, but probably overstates the concreteness of Bevin's "buffer plans":

Ein noch so grosses Bundesheer kann uns nur im Inneren schützen, nie aber gegen einen bewaffneten Einmarsch. Es muss deshalb eine Garantie der österreichischen Unabhängigkeit geschaffen werden. Eine Viermächte-Garantie hat nur einen Sinn gegen eine fünfte Macht, nie aber gegen eine der vier Mächte. Nach ein oder zwei Jahren wird schon die UNO ein Organ geschaffen haben, von wo automatisch die Sicherung der Länder erfolgen wird. Vorläufig ist aber diese Entwicklung noch nicht gegeben. Es kommt daher darauf an, die Dinge so zu nehmen wie sie jetzt eben liegen. Ich habe mit dem englischen Aussenminister Fühlung genommen. Er steht auf dem Standpunkt, es müsse eine Sicherheitsregion geschaffen werden und wo immer die Russen angreifen, müsste die Sicherheit auch gegen den Willen der Bevölkerung [sic!] hergestellt werden, was allerdings praktisch Krieg bedeuten würde. Der Bevölkerung muss klargemacht werden, welche Folgen ein solcher russischer Angriff nach sich ziehen

²⁷Marjoribanks, 20 February 1948, PRO, FO 371/70395/C1453.

würde.²⁸

Presumably Bevin's final comment, if correctly reported, referred either to Czechoslovakia or to Italy (where it was feared the forthcoming elections might produce a communist victory) rather than Austria itself, where opposition to a western intervention was hardly likely. At all events the available evidence does not suggest that Bevin's ideas, even after the events in Prague, were as far advanced as Gruber appeared to believe. This is shown by the British reaction when Gruber formally presented his views on Austria's relations to western defence. Gruber gave his estimate of the Soviet threat both of infiltration and invasion and argued that

there is....a reasonable hope that within 6-12 months the international situation will be clarified, that the Western guarantee also for Austria as a member of the Sixteen-Group will be clearly formulated and, above all, that Western military potential will be increased to such an extent, that the problem of the Austrian Treaty will lose its importance as a factor of "security". But even then it is obvious that the carrying out of the Treaty would involve a certain risk. Therefore the requirements for Austria's security....would have to be sufficiently built up before the withdrawal of the occupation troops.²⁹

He returned once more to Vienna and presented the same paper to his colleagues, making it clear that, in his view, the most desirable outcome for Austria would be for the Brussels Pact to be extended to all members of the OEEC.

Im Westen entsteht eine grosse Bewegung, eine Sicherheitsorganisation wegen des russischen

²⁸AVA, MRP 102a, 4 March 1948; neither of the two records of this conversation listed in the Foreign Office Index (PRO, FO 371/70468/C1664, FO 371/70409/C3626) are accessible in the Public Record Office; see also Gruber, Befreiung, p.195 and Erhardt to Marshall, 3 March 1948, FRUS 1948, II, pp.1383-4.

²⁹Austrian memorandum, 23 March 1948, StL/3-166, PRO, FO 371/70460A/C2343; see also Gruber, Befreiung, p.194.

Vormarsches und dessen Abstopfung. Ein Mittel dazu ist der Marshall-Plan; daneben hat sich auch der militärische Charakter gezeigt, besonders bei der Brüsseler Konferenz, der sich in Nebenklauseln widerspiegelt. Ein Angriff auf einen der vertragsschliessenden Staaten würde sofort casus belli bedeuten. Die einzige militärische Macht in [West] Europa ist eigentlich nur England. Aber auch Frankreich wird in militärischer Hinsicht seine Anstrengungen machen, die bereits gewaltig im Zuge sind. Auch in Amerika ist die Aufrüstung im Gange. Wie lange die militärische Organisation in den USA dauern wird, lässt sich nicht abschätzen, doch wird das Jahr 1948 dabei vorübergehen. Während der Pariser Verhandlungen sind starke Bestrebungen im Gange gewesen, die militärischen Abmachungen auf alle Marshall-Staaten abzustimmen und auf diese auch auszudehnen. Das wurde allerdings zuerst abgelehnt; das Ziel ist, eine wirkliche Solidarität zur Sicherheit eines jeden Bürgers zu schaffen. Jeder direkte oder indirekte Angriff würde einen Krieg auslösen. Nur ein solches System wird auf die Dauer die Ruhe garantieren. Dann werden weiter Abmachungen kommen und wird man auch im Osten die Vernunft hoffentlich wieder eintreten lassen....Für uns ergibt sich die Folgerung, dass die nächsten 6 Monate, vielleicht das ganze Jahr 1948, ein Jahr der Unsicherheit sein wird. Der Grund hiezu ist der, dass der Westen noch nicht organisiert ist. Solange dieser Zustand besteht, solange muss man bei uns auf der Hut sein. Man kann aber nach Ablauf des Jahres 1948 (wenn kein kriegerisches Ereignis eintritt) damit rechnen, dass sich Russland nicht mehr Übergriffe leisten wird. Damit ergibt sich für uns ein Problem, auf das ich noch zurückkommen werde. Man hat die militärischen Absprachen von Paris herausgeschält und nach Brüssel verlegt. In Paris hat man sich dann wieder nur darauf beschränkt, den Marshall-Plan in Kraft zu setzen. Die Bindungen sind gering und erstrecken sich vorläufig nur im Rahmen der Konferenz. Verstärkte wirtschaftliche Zusammenarbeit in Europa ist das Ziel. Aber wenn eine Verschärfung einer internationalen Lage eintreten sollte, so wird das Pariser Programm von grösster Wichtigkeit sein.³⁰

Gruber's views are in stark contrast with the last thirty years of Austrian neutrality but, when placed in the context of the mood in Vienna after the Czech take-over and Austria's overall foreign policy after 1945 they are hardly surprising. Indeed if the Austrian

³⁰AVA, MRP 106, 6 April 1948.

government had really - as often maintained - clung to the goal of neutrality throughout this period, it would surely constitute a major historical puzzle.³¹

The British reaction to Gruber's memorandum was cool. Kirkpatrick noted that it "raises the question of guarantee to Austria - a question on which the Secretary of State has not wanted to commit himself."³² The idea of a three Power treaty of guarantee was cautiously welcomed by the Chiefs of Staff as "of advantage particularly in view of present agreements being concluded in Western Europe" but they undercut this substantially by adding that "no direct military assistance to Austria could be contemplated at this stage."³³ Since the Chiefs of Staff were unwilling even to make a "continental commitment" to western Europe, they were hardly likely to be attracted to the idea of taking on the, militarily speaking, hopeless task of defending Austria.³⁴

By contrast the sub-committee at the Washington exploratory talks concluded that

when circumstances permit, Germany (or the three Western Zones), Austria (or the three Western

³¹See Gruber's later suggestion (Stourzh, Geschichte, p.107) that the Austrian Cabinet decided around 1946-7 on the "Nichtteilnahme Österreichs an militärischen Bündnissen". See also Gordon Brook-Shepherd's sarcastic comment (p.270) that "if neutrality was the official aim of the Austrian government during these long critical years, it was brilliantly concealed from all the four great powers concerned."

³²Austrian memorandum, St/L 3-166, 23 March, Kirkpatrick, 5 April 1948, PRO, FO 371/70460A/C2343.

³³FO to COS, 4 March 1948, Waterfield to Dean, 16 March 1948, PRO, FO 371/70409/C1546; COS (48) 38th Meeting, 15 March, PRO, DEFE 4/13.

³⁴See Barker, The British between the Superpowers, pp.112-8.

zones), and Spain should be invited to adhere to the Brussels Treaty and to the security pact for the North Atlantic Area. This objective, which should not be publicly disclosed, could be provided for by a suitable accession clause in the security pact.³⁵

For Bevin this was going too far too fast. He did not wish the Scandinavian countries or Italy to join the Pact and as for Austria, she was "not an Atlantic power" and was in "no position politically or militarily to undertake reciprocal obligations." He rejected the idea of either a guarantee or even a public declaration of interest along the lines of that proposed for Greece, Turkey and Iran.³⁶ The draft three Power Treaty of guarantee which had been drafted on Marjoribanks' urging was therefore not sent to Washington after all.

Marjoribanks thought this left the position dangerously open. He thought that the decision meant that "our whole attitude to the Austrian treaty should be re-considered" and concluded that "it would be folly for us to evacuate Austria leaving only a Treaty with

³⁵Inverchapel (British, Embassy Washington) to FO, 24 March 1948, PRO, FO 371/68067/AN1312; see also NSC/9, FRUS 1948, III, p.68.

³⁶FO to Washington, 25 March 1948, PRO, FO 371/68067/AN1315G. The first draft reply included the sentence: "I should have thought that the most suitable treatment for Austria is a guarantee of the kind envisaged for Greece, Turkey and Persia." "guarantee" was then amended to "declaration" and in the final draft the whole passage was omitted. In reply Jebb replied that "there is of course no intention of including Austria in [the Atlantic system] in the near future...it was only suggested that the signatories might have some secret intention[sic] to include Austria "when circumstances permit"...After all, circumstances might conceivably include another Anschluss", Washington to FO, 26 March 1949, PRO, FO 371/68067/AN1325; Henderson (p.17) omits all reference to Austria; see also Escott Reid, Time of Fear and Hope: The Making of the North Atlantic Treaty 1947-1949, Ontario 1977, pp.194, 202.

the Soviet as the sole guarantee of Austria's independence."³⁷ He now shifted the main grounds of his argument to the threat of an internal putsch. This danger could only be met by an understanding with the Americans and the French regarding the "steps we are prepared to take if there should be a threat to Austria's independence by some internal development." Such an understanding could either take the form of a separate guarantee or Austria's incorporation into the western defence system. Once again Kirkpatrick was sceptical. He considered that both alternatives raised great difficulties and merely agreed that the American and the French should be consulted.³⁸

In the long run the United States' wish to see the Western Union embracing as many states of western Europe as possible while at the same time limiting the scope of her own commitment to it, may have tied in more closely with Gruber's ideas than the consensus in London. But in the short term the State Department was more concerned about the delicate negotiations over the wording of the Vandenberg resolution, defining the American relationship to the Brussels Treaty countries, and had certainly no intention of making any special provision for Austria.³⁹ Like the Foreign Office it wished to concentrate on what appeared to be the main question and the suspension of the Treaty talks in May enabled it to do so. As Kirkpatrick noted "in view of the frontier question this problem is no longer acute." He added -

³⁷Memorandum (undated) probably written at the end of March which, according to an addendum by Marjoribanks, was not shown to Bevin "as it was considered that the time was not appropriate for taking up with the Americans the question of the guarantee for Austria." PRO, FO 371/70409/C3797.

³⁸Marjoribanks, Kirkpatrick, 15 April 1948, PRO, FO 371/70409/C3347.

³⁹Ireland, p. 82. ff; Marshall to Reber, 30 April 1948, FRUS 1948, II, p. 1501.

with typical acerbity - that "by the time it becomes acute again the volatile Americans may have switched over to some new policy."⁴⁰ The question of a guarantee for Austria was apparently not discussed in the talks which continued in Washington over the summer.⁴¹

Overall the Berlin Crisis produced a heightened sense of crisis in the West but it did not, in the end, bring about any coalescence of these different views. Although there was considerable nervousness among western officials in Vienna, the general view was that a repetition there of events in Berlin was unlikely. British military planners judged that a Russian take-over of Austria would be more likely after an overall Allied withdrawal, when the absorption of the whole of Austria would be possible. Logically, this might suggest that a withdrawal was less rather than more advisable, but the real key to British military thinking was, as before, shortage of man-power and the forthright view that "Austria, much less Vienna, is not strategically vital."⁴² In September the Chiefs of Staff confirmed that "from the military angle it would be a very great advantage if the Austrian Peace Treaty [sic] could be settled quickly, thus enabling us to withdraw our forces from Austria."⁴³

⁴⁰Kirkpatrick, 11 May 1948, PRO, FO 371/70409/C3796.

⁴¹See NSC 9, 13 April 1948, and its final version NSC 9/3, 28 June 1948, which stated merely that the matter of the adherence of other countries (including Austria or the Western zones) "should be explored." FRUS 1948, III, pp.88, 141.

⁴²'Possible Russian Moves in Austria', JP (48)84(Final), 31 July 1948, COS(48)110th Meeting, 6 August 1948, PRO, DEFE 4/15; for Russian actions restricting access to Vienna see Cheetham (Vienna) to FO, 22 April 1948, Marjoribanks, 7 May 1947 PRO, FO 371/70411/C3571 and PRO files, FO 371/70410-1; see also Bader, pp.105-9.

⁴³COS (48) 208(0), MOD to COS, 16 September 1948, PRO, (Footnote continued)

By now the French and American military were treading a radically different path.⁴⁴ The French Commander-in-Chief, General Béthouart, had started to draw up plans for a line of defence in Austria based on the Tyrol even before the Berlin blockade began. Early in May the French military in Paris proposed that the occupation forces in Germany should "oppose with no thought of withdrawal the crossing of the Rhine between Bale and Bonn" and that, at the same time, the occupation forces in Austria should "endeavour to establish prepared positions in the Tyrol-Voralberg if possible in co-operation with the Allies."⁴⁵ This view evidently found its way into the provisional conclusions of the report of the Washington talks on the Atlantic Pact:

Willingness on the part of Austria to adhere to the arrangement is assumed. Its participation cannot become effective so long as quadripartite occupation continues. Its position as the gateway to the Po Valley makes Austria an important outpost of Western civilisation.⁴⁶

In the final report, perhaps after British objections, this passage was omitted and there was merely a fairly vague recommendation that "any threat of aggression, direct or indirect, against any other OEEC country...would be regarded by them as a development calling for consultation with the object of taking any

⁴³(continued)

CAB 21/1905; see also COS (48) 135th Meeting, 24 September 1948, PRO, DEFE 4/16.

⁴⁴For French attitudes see Sandner, pp.260-2.

⁴⁵Copy of a letter from French Minister of Armed Forces to French Delegation to the Military Committee of the Five Powers, Annex I, COS (48) 66th Meeting, 12 May 1948, PRO, DEFE 4/13; see also Ireland, p.108 ff.

⁴⁶Washington Security Talks - Working Party provisional report, 12 August 1948, PRO, FO 371/73074/Z6680.

measures which might be necessary." Future Austrian membership was not even mentioned as a theoretical possibility.⁴⁷ It was the question of Italian membership of the Atlantic pact which provoked most discussion and disagreement in the months preceding the signature of the Atlantic Pact in April 1949. Austrian membership was not an issue.

Béthouart, however, continued to push for a co-ordinated western plan, based on the defence of a real or imagined "alpine redoubt." He received some support from the American Commander-in-Chief, General Keyes. In November Galloway reported on these plans to Montgomery (Chief of Imperial General Staff) with some distaste:

Béthouart is still messing about with his idea of a Tyrolean redoubt and is generally trying to sell it all round.

It appears that he originally had instructions to fall back to the Rhine. He had protested and his instructions were modified by the then French Government so as to enable him to hold the Tyrol. All this was before the Western Union. He has certainly been in communication with General de Lattre recently. He has had a census made of ex-Wehrmacht personnel in the Tyrol which according to him might amount to the equivalent of three divisions though how they can be equipped in the meantime nobody knows. He has even spoken to the Federal Chancellor on this question of defense which I consider to be an extremely dangerous thing to do because there is no guarantee that matters discussed with the Austrians will go no further.

So much for General Béthouart. General Keyes who also attended the meeting appeared to think that the plans for the United States forces in Germany might not necessarily be the same as for the United States forces in Austria. He still appears to favour joining the Tyrolean Party.⁴⁸

⁴⁷Memorandum by participants of Washington Security Talks submitted to their Governments as the Washington Paper, 9 September 1948, FRUS 1948, III, p. 242. See also PRO, FO 371/73076/Z7380 and Ireland, p.108.

⁴⁸Galloway to Montgomery, 19 November 1948, PRO, FO (Footnote continued)

After much discussion the first steps towards joint planning under Keyes' co-ordination were initiated at the end of the year. Keyes was authorised to base his plans on a withdrawal from Austria either to the Rhine valley or through northern Italy. The importance of these discussions lay less in the plans themselves - which were not properly co-ordinated until over a year later - than in the way the act of planning developed a momentum of its own and began to impinge onto the policy-making process. What had begun as contingency plans for the evacuation of Austria in the event of a Soviet invasion became - especially after the signature of the Atlantic Pact - an argument for not abandoning a forward position, which - if a general European war ever did break out - would be a strategically important.⁴⁹

3. German Assets Again

Up to the end of 1947 concern about a Soviet economic enclave in eastern Austria had been the root of western reluctance to withdraw from Austria. After the Cherrière plan had been adopted as a basis for negotiation that risk had been reduced. Western fears were now, on the whole, based on two linked dangers:

⁴⁸ (continued)

800/439; Béthouart (La Bataille pour l'Autriche, Paris 1966, p. 162) portrays the discussion in terms of the choice between "defending" or "abandoning" Austria. He describes Keyes as "bien décidé à résister dans sa zone" whereas "les Anglais axés sur le port de Trieste étaient beaucoup plus réticents." See also Sandner, p.265 ff.

⁴⁹ JP(48) 92 Final, 14 September 1948, COS (48) 142nd meeting, 4 October 1948, PRO DEFE 4/16; J.P. (48) 134 (Final), COS (48) 170th Meeting, 26 November 1948; 'Directive to Commander in Chief European Command', 31 December 1948, PRO, DEFE 11/23.

firstly, the danger of a Communist-led coup à la Prague and secondly, the possibility of an economic collapse, which, it was suggested, might be triggered off by the German assets settlement. Whatever merit these arguments may have had earlier, by 1949 both were beginning to look notably threadbare.

By now the Austrian economy was beginning to pick up. Stimulated in part by the currency reform of November 1947 exports had begun increase and by March 1949 had reached 79% of the level of 1937 (in volume terms).⁵⁰ Some rationing had ended and the official calorie intake for the "normal consumer" was increased to 2,100 a day in September 1948. The black market was in decline. Trade Unions and employers had co-operated - albeit with only partial success - on wage-price agreements to restrict inflation. In short, the foundations for what has been termed the "social variant of democratic corporatism" were already well-laid.⁵¹ Furthermore, as was to become increasingly clear in the run-up to the elections of October 1949, such social unrest as did exist, did not benefit the Communist Party but helped swell the ranks of the extreme right.⁵² It is difficult to resist the conclusion that, if the Red Army had once left, there would have been few western European countries in 1949 less ripe for a communist take-over.

Admittedly, a Treaty would have brought a heavy economic burden. But would this have been so great as to outweigh the other advantages? The question can clearly only be answered as part of a wider analysis of

⁵⁰Gerhard Rosegger, 'East-West Trade', p. 81; see also Matzner, Trade, pp.19-20.

⁵¹ Katzenstein, Corporatism and Change, p.59 ff; see also Pelinka, pp.169-201.

⁵²Max E. Riedelsperger, The Lingering Shadow of Nazism: The Austrian Independent Party Movement since 1945, New York 1978, p.39 ff.

Austria's economic position, which cannot be made here. But even a cursory examination points to the conclusion that the end of the occupation would have been of great economic value. Whether Austria was to orientate her trade more to her traditional markets in East in order to save dollars, as argued by the Economic Commission for Europe,⁵³ towards the expanding German market or towards the "Adriatic area" of Yugoslavia and Italy,⁵⁴ an end to the occupation would clearly have helped. In addition the end of the occupation would bring tangible benefits. It would stop the drain of "black" dollars and exports via the USIA factories, increase state revenue, end the inflationary impulse provided by the occupation and, theoretically, bring about an improvement of economic planning and business confidence. On the assumption that the United States was ready to maintain her previous support, the purely economic arguments, therefore, pointed to an evacuation.⁵⁵

Whether or not this is correct is in a sense irrelevant for, as became increasingly clear in the course of 1949, American policy towards Austria was not based on such calculations but on a judgement of what was an "acceptable" burden for Austria to pay. The criteria for "acceptability" were political rather than economic and, as a result, volatile. In December 1948 the State Department outlined the problem in the following terms:

A settlement of the German assets problem which would involve external foreign aid to effect fulfillment would be inconsistent with US policy objectives.....Likewise no settlement should be accepted...which leaves the USSR in a position either to intervene in Austrian affairs in order to

⁵³ECA, Country Study: Austria, Washington, February 1949.

⁵⁴See The Economist, 11 August 1949.

⁵⁵See Rothschild, p.63. ff.

gain political advantage or to retard the present rate of recovery by preventing resources from being used to meet Austria's own requirements...but the political situation in Austria, which is at present completely favourable to western objectives, requires that all possible steps be taken to secure the early withdrawal of Soviet forces.

On this occasion the conclusion was that "the objectives envisaged in our ECA proposal for Austria cannot be fully attained by 1952 unless a treaty with acceptable economic provisions is completed at an early date."⁵⁶ In the course of 1949, however, the State Department swung steadily away from even this cautious recommendation. The likelihood that the Americans would have to pick up any bill which the Russians presented to the Austrians continued to weigh heavily in Washington. At a time when the traditional bipartizanship of US foreign policy was breaking down, and with the "loss" of China looming, any such deal seemed even riskier than before.⁵⁷

Agreement on Austria, however, seemed necessarily to entail that, directly or indirectly, Uncle Sam would fork out. The Austrian government had certainly assumed so and Figl had stressed to his ministers at the start of 1948 that "wir müssen alles daran setzen, dass wir von den Amerikanern diese Dollars zur Verfügung gestellt haben."⁵⁸ But a year later Uncle Sam started to express doubts. Reber was instructed by the State Department that "the remaining unagreed positions on the Treaty cannot be regarded as a narrow gap which can be closed by negotiations but as involving the fundamental basis of Austria's national independence and the ability to survive economically without extensive foreign

⁵⁶ State Department report to National Security Council, NSC 38, 8 December 1948, FRUS 1948, II, p. 1510.

⁵⁷ On the break-down of bipartisanship see Thomas G. Paterson 'Presidential Foreign Policy, Public Opinion and Congress. The Truman years', Diplomatic History, 3,1, 1979, pp.1-18.

⁵⁸ AVA, MRP 97, 27 January 1948

assistance."⁵⁹ Shortly afterwards he signalled a tougher American line on the lump sum payment. Early in February 1949 he insisted that the Austrians would have to start looking for means of raising the dollars.⁶⁰ A month later he cast doubt on the very assumption that American dollars would be available.⁶¹

According to Marjoribanks Reber "appears...to have got the problem slightly out of focus." Reber had told him that "he has grave doubts about the German assets settlement" and that Austria would have to pay the lump sum herself. Though Marjoribanks accepted that it would be very difficult to get the Congress to approve the indirect payment of reparations to the Soviet Union he pointed out the contradiction in the American position:

the Americans are spending 300 Million dollars a year in Austria on Marshall Aid and the cost of United States Occupation. At least 50 million dollars a year is estimated to leave Austria by the back door to Eastern Europe owing to Soviet activities in their zone.

Reber himself implicitly conceded this point by telling Marjoribanks that "the financial aspect was not uppermost in the State Department's mind" but he offered

⁵⁹State Department Instructions for Reber, 14 January 1949, FRUS 1949, III, p.1068.

⁶⁰Meeting at FO, 7 February 1949, Coreth to BMAA, 28/L/1/49, HHStA, HAW; British record on PRO, FO 371/76435/C1177.

⁶¹The American re-draft of 15 March (PRO, FO 371/76438/C2231) laid down that the lump sum was in the first case to be paid in the form of her assets in eastern Europe. The remainder was to be paid "in goods." It went on to state that "Austria may elect to pay all or any part of this obligation in any year in convertible currency." Paragraph 2B,6 stipulated that, under certain circumstances, if "Austria shall find that such instalments cannot be paid out of its own resources without severe disruption of the Austrian economy, Austria shall negotiate with the Soviet Union for a postponement of such payment."

no more explanation than the American belief that "unless strict conditions were attached to the German Assets settlement, they were convinced that Austria would go under when the Occupation forces withdrew."⁶² Shortly afterwards, he formally listed the general conditions to be observed in the payment of the lump sum. The Soviet Deputy, Zarubin, objected, on the grounds that they opened up the possibility that Austria might reduce payments if she decided she was not in a position to pay them.⁶³

Shortly before the Paris Council of Foreign Ministers, however, Reber seems to have partly accepted Marjoribanks' arguments. He indicated to Washington that the advantage of such a bargain

would on balance lie with the Western Powers. While a treaty on these terms would impose a burden of 15-25 million dollars more than previously contemplated, it would return several hundred industrial enterprises to Austrian economy. It would allow the Austrian Government generally freedom of action in long-range economic planning and utilization of its resources as well as permit economies through the withdrawal of the occupying forces, thereby giving an impetus to the efforts of Austria to establish itself on a self-sustaining basis. So long as the conclusion of a treaty is delayed, the Soviet drain on the Austrian economy will continue, possibly to the extent of 20 million dollars a year, US will be called on to support a heavy burden of assistance to Austria and conditions will not permit a permanent solution to Austria's basic economic problem through assistance

⁶²Marjoribanks, 22 and 24 March 1949, PRO, FO 371/76438/C2719; Reber to Acheson, 21 March 1949, FRUS 1949, III, pp.1084-5. Austrian estimates (AVA, MRP, 4 February 1948) put the value of exports from Russian-owned USIA firms "bei Vollaussnützung der.. [derzeitigen] Kapazität" at 35.4 million dollars (AVA, MRP, 4 February 1948, Beilage C). According to a British estimate of February 1948 the annual exports of oil by the Soviet authorities were worth 10.9 million dollars, (PRO, FO 1020/3484). The lump sum payment, on the other hand, would have amounted to 25 million dollars a year over six years.

⁶³Deputies, 152nd session, 8 April 1949, PRO, FO 371/76477/C3695.

OF the ECA. The situation inside Austria will lead to increasing dissatisfaction among the Austrian people and resentment against the occupying forces with growing risk of a political crisis. The Austrian situation cannot remain as it is now for an indefinite period.⁶⁴

By conceding the Soviet position over German assets in Paris Acheson in his turn apparently accepted both Reber's conclusion and the implication that American dollars would be available for Austria.

The Austrians certainly assumed so. Otherwise they would hardly have accepted the Paris agreement. As Krauland commented to his cabinet colleagues:

Die Garantie [of the payments] scheint nicht in Zweifel zu sein. Die Westmächte müssen sich klar sein, dass der wesentlichste Teil von ihnen geleistet werden muss und Gruber muss es andeuten, damit wir nichts verschwiegen haben.⁶⁵

It is unclear if Gruber did in fact receive any American assurances at Paris. But Schärf certainly received a nasty surprise shortly afterwards when Reber told him in London that the Americans expected the Austrians to raise the money. On his return to Vienna he reported to his colleagues that Reber's questions about the lump sum had been "ausserordentlich verblüffend". Reber had been sceptical about Schärf's suggestion that they could get an international loan. Bevin had apparently been even more dismissive and "kann sich....gar nicht vorstellen, dass jemand anders für Österreich einspringt." Schärf concluded: "da nun wir alle in dem Glauben leben, dass mit einer amerikanischen Zahlung zu rechnen ist, fühle ich mich verpflichtet, das hier mitzuteilen."⁶⁶

⁶⁴Reber memorandum, 11 May 1949, FRUS 1949, III, p. 1095.

⁶⁵AVA, MRP 161 a[usserordentliche] 17 June 1949; see also Stourzh, Geschichte, pp.56-7 and Gruber, Befreiung, pp.212-213.

⁶⁶AVA, MRP 165, ('Verschluss'), 12 July 1949; see also conversation between Bevin and Schärf, PRO, FO 371/76464/C5582 and Coreth (Austrian Legation, (Footnote continued)

Reber's comments appear in the end to have been largely bluff. By the end of July the State Department had agreed that lump sum payments of 25 million dollars per annum could, if necessary, be slipped in with Austria's ERP allocations. The Austrian government was asked to complete a questionnaire showing the economic gains which a Treaty would bring. It was especially important that "nach aussenhin Österreich selbst diesen Betrag an die Sowjetunion überweist, da in der amerikanischen Öffentlichkeit der Eindruck unbedingt vermieden werden müsse, dass die Sowjetunion amerikanische Steuergelder in irgendeiner Form erhält."⁶⁷

American toughness on other aspects of the German assets settlement seems to have arisen from similar domestic political considerations. The resurgence of concern about American economic interests in Austria was less the result of their economic importance than of dislike at appearing to give anything to the Soviet Union.

As far as oil was concerned the discoveries of large deposits in Matzen in March 1949 had certainly increased the importance of the allocation of particular prospecting areas. Matzen had been on land to which the Anglo-Americans (RAG) had owned exploration rights before 1938. Since the previous discussion of

⁶⁶ (continued)

London) to BMAA, 20 July 1949, HHStA, BMAA, Zu 59.934, pol-49, K. 19, 1949.

⁶⁷ Conversation between Gruber and Finance Minister, Zimmerman, Amtsvermerk Platzer, 27 July 1949, American questionnaire, Schilcher, doc.59; the final provisions for the lump sum provided for the payment of 150 million dollars in freely convertible currency at three monthly intervals based on bonds to be issued by the Austrian National Bank, (Article 22, para 6 of 1955 State Treaty); for text see Stourzh, Geschichte, pp.265-6.

percentages of future exploration had been based on 1947 production figures, they did not include these new discoveries. From the point of view of the oil companies, therefore, it would have been necessary to specify the areas by name rather than merely as the global percentage of 60%. But - despite the urging of officials in London - the point was conceded at Paris.⁶⁸ The complex deliberations of the oil experts in July and August were, in part, an attempt to retrieve the situation by stipulating that not all of the most promising oil field of Gross Entzersdorf should go to the Soviet Union.

Even so, neither for the Americans nor the British was the defence of western oil interests the main priority and Cullis was noticeably defensive when he spoke to the representatives of western oil companies early in August. He told them that the British government

would do their best both to limit Soviet oil acquisitions under the Treaty and to protect British oil interests. He had, however, explained what the difficulties were and also the general desirability of ending the present situation by getting a Treaty, even at a high price...The Foreign Office...assumed full responsibility for the decisions taken, but if these were not always what the companies - or the Foreign Office itself - would have liked, it was not so much a question of 'sacrificing' British interests to the Russians as of salvaging as much as we could in a somewhat unfavourable situation.⁶⁹

As for American officials, even though Austrian oil was not important in itself, they certainly began to fight a determined rear-guard action to defend the western position. They stiffened their position on three questions in particular; firstly, the allocation of the

⁶⁸Cullis to Marjoribanks, 28 May 1949; PRO, FO 371/76441/C4524/; Report of Western Deputies, 1 June 1949, PRO, FO 371/76442/C4733.

⁶⁹Meeting at FO, 9 August 1949, PRO, FO 371/76447/C6556.

oil field of Gross Entzersdorf, secondly, the future of Lobau oil refinery, and thirdly, compensation to western companies for assets handed over to the Russians under the terms of the German assets settlement.⁷⁰ At the end of July differences arose between Americans and Austrians over the question of whether the Lobau refinery (claimed by the Anglo-Americans) or Nova (claimed by the French) should be "discarded" as part of the agreed 60% of refining capacity to be handed over to the Russians. Both refineries were in part doubtful cases - with some German share ownership and some post-Anschluss investment. When Gruber (acting on the recommendation of the Trade Ministry of Trade) expressed his preference for handing over the older Anglo-American refinery, an angry American reaction forced him to backpedal hastily.⁷¹ The likely loss of nearly all the more promising oil fields also brought the question of compensation, largely on the side-lines since April 1947, back onto the field. In striking contrast to their previous position, the Americans were now the most fervent advocates of stringent compensation provisions. They called on Austria to pay "prompt, adequate and effective compensation" for United Nations property handed over and even refused to rule out the possibility of these payments being made in convertible currency. Payments of dollars from Austria to the United States would have been an absurdity in 1949, and there is no evidence that the Americans actually envisaged them.

⁷⁰List 2, annexed to Article 22 of 1955 Treaty, Stourzh, Geschichte, p. 269. Other aspects of the final German assets discussions, which will not be dealt with here, included the question of the status of the leases of Danube Shipping Company landing and repair facilities, rolling stock, creditor claims by former German companies, limitations on the export of profits, and rolling stock: for a summary see Acheson to Reber, 1 July 1949, FRUS 1949, III, pp.1097-99.

⁷¹Coreth (Austrian Delegation, London) to BMAA, Zu 59.934, 20 July 1949, HHStA, BMAA, pol-49, K.19, 1949.

Once again, it appears that the American demand was a largely cosmetic move.⁷²

4. An Anglo-Austrian "Front"

By now the Austrian government was pressing more urgently for a treaty than they had a year earlier. Then, the events of Prague had hung heavily over Vienna and Gruber had been enthusiastic about the protection to be gained from the western security organization:

Das Bestreben geht dahin, den Westen militärisch zu festigen. Über den Willen, dass es hier zu einem positiven Erfolg kommt, besteht kein Zweifel. Die Mittel aber, die zur Ausrüstung gehören, sind nicht da und müssen durch Amerika beschafft werden. Die Besprechungen zur Verteidigung bei einem bewaffneten Konflikt haben stattgefunden, nur kann man noch nicht sagen, ob und in welcher Form sie sich bewähren würden. Das hat zum Schlusse geführt, dass man sich klar wurde, dass man die äussersten Anstrengungen machen muss, um wenigstens vorläufig einen sogenannten Waffenstillstand auf einige Jahre mit Russland zu erreichen. Dieses Bestreben ist allgemein vorhanden. Nur weiss man nicht, wie es in Russland aufgenommen werden wird. Die Besprechungen selbst werden im Jahre 1948 fortgesetzt, und sie werden dann auch für den Österreich-Vertrag entscheidend sein. Dieser Österreich-Vertrag wird der erste Prüfstein für diese neue Organisation werden. Der russische Wille für einen Österreich-Vertrag wird uns die weitere Entwicklung zeigen.⁷³

To what extent were Gruber's views shared by his coalition partners? There is no record of any dissent

⁷²Article 42, paragraph 9, 5 August 1949, CFM/49/D/A/67, PRO, FO 371/76482/C6250.

⁷³AVA, MRP 111, 11 May 1948; see also Erhardt to Marshall, 3 June 1948, "Gruber and most People's Party personalities take [the] realistic line that Austrian security is dependent on closest possible political and military association with Western Europe" FRUS 1948, II, pp.1401-3.

with Gruber's views in the cabinet but the SPÖ is unlikely to have been so enthusiastic. The 1947 SPÖ conference had laid down the goal of seeking security through an international guarantee within the framework of the United Nations⁷⁴ and even after the Prague take-over there was still strong Socialist support for the idea of neutrality. Schärf's position is difficult to gauge exactly. He told Bevin that the establishment of an internal security force would be sufficient, if the Red Army was no longer in the country.⁷⁵ As for the Western Union he told Strang that "Austria was not in a position to join any block. This did not mean that she was not in sympathy with the objectives of the parties to the [Brussels] treaty."⁷⁶ During and after a visit to Sweden Schärf apparently became more impressed by the idea of neutrality - enough so to worry Gruber, at any rate.⁷⁷ According to Schmid

Gruber had apparently been somewhat disconcerted at the attitude of Dr. Schärf on the latter's return from Stockholm where he had talked to a number of Swedish Socialists and had apparently been rather badly bitten by their "neutrality" conception. Dr. Gruber feared that it would give rise to quite a lot of harm and misconception if the Austrian Socialists were openly to take this line at the forthcoming Congress in Vienna [of the Socialist International]. Whilst not wishing to provoke the Russians, Dr. Gruber felt that any talk of "neutrality" at the present stage was completely false, not least for the Austrian Socialists, who had been resisting a very active challenge over the last three years.⁷⁸

⁷⁴Protokolle des SPÖ-Parteitag, 23-26 October 1947, p.219.

⁷⁵Conversation between Bevin and Schärf, 29 March 1948, PRO, FO 371/70396/C2405. See above, p.147.

⁷⁶Cheetham to Dean, 26 March 1948, PRO, FO 371/70408/C2683.

⁷⁷See Arbeiter Zeitung, 11 May 1948, which reported that Schärf's account to the Swedish Socialist Congress of the political situation and the goals of Austrian foreign policy "die absolute Neutralität befolgen muss" had been very well received.

When Béthouart caused a stir by suggesting a neutrality statute for Austria at the end of May Schärf's view was that "any direct adherence to Western Bloc would be considered by Soviets as provocation the Austrian government must 'pretend' to be neutral in East-West controversy in order to persuade Soviets to renew treaty negotiations but....this policy is purely tactical as Austrian socialists [are] aware that future economic, political and military support must come from West." Later in the year a left-wing group centred on Erwin Scharf was expelled from the SPÖ.⁷⁹ Whatever differences there were within the SPÖ overall opposition to joining the western defence system was probably not inherently stronger than in many countries which did join.

Officials in the Ballhausplatz continued to see positive advantages in Austrian membership of a western defence organisation. The idea of a band of neutral

⁷⁸Cullis, 25 May 1948, PRO, FO 371/70460A/C4159. Marjoribanks commented (loc.cit., 26 May) that it would be "very unfortunate if the Socialist Congress in Vienna becomes the forum for this sort of talk about Austria's 'neutrality'. Any Austrian who thinks his country can ever become a 'Switzerland' is crazy. At the same time, it is obvious that Austria is not yet in a position to apply for membership of Western Union, and she must play a waiting game until the occupation ends. But this is not the time to talk of 'neutrality'. If Austria follows this advice she will find she has landed up in the wrong camp." Schmid's comments prompted an informal word with the International Secretary of the Labour Party, Denis Healey, who was about to attend the conference.

⁷⁹Erhardt to Marshall, FRUS 1948, II, 3 June 1948, pp.1401-3; Friederich Weber, 'Die Linken Sozialisten 1945-1948', Unpublished Phd, Salzburg Univ. 1977, vol. II, p. 424 ff; Protokolle des SPÖ-Parteitags, 10 - 12 November, 1948; see also Stourzh, Geschichte, pp.103-4. See also the view of the Austrian socialist Karl Stadler, then living in England ('Austria: East or West?', World Today, 8, 1948, p. 349) that "No amount of day-dreaming about becoming a 'Switzerland on the Danube' or official statements about Austrian
(Footnote continued)

states in central Europe, as proposed by the American journalist Walter Lippmann, was rejected because it would offer no protection against the "sowjetische Expansionsdrang". A formal declaration of neutrality would offer "keinerlei Garantie gegen eine solche Bedrohung" and - unless the West took a Soviet invasion as a casus belli - would be tantamount to the "Preisgabe dieser Länder an die Sowjetunion."⁸⁰ Austria's policy, as laid down before the resumed Treaty discussions in London, was clear enough:

die Bundesregierung nimmt...an, dass die politische Entwicklung des Jahres 1949 zur Festlegung einer gewissen Soldarhaftung der freien Staaten untereinander führen wird, sodass ein militärische Angriff auf einen beliebigen Staat, z.B. auch auf Österreich, für den Angreifer das Risiko einer Auseinandersetzung mit der Gesamtmacht der freien Welt in sich tragen müsste...die Politik der wirtschaftlichen, politischen und [eventuell] auch militärischen Sanierung der freien europäischen Staaten wird zweifellos früher oder später ihre Früchte für die Verstärkung aller dieser Nationen tragen.⁸¹

Seeing western plans go ahead without Austria now left some in Vienna feeling out in the cold. From Brussels Wimmer reported with evident concern.

mit der Konsolidierung West-Europas die internationale Sicherung der Lage Österreichs vorderhand nicht Schritt halten konnte. Bisher war Österreich mehr oder minder sicher oder unsicher, wie fast alle europäischen Staaten. Heute hat sich für eine Reihe wichtiger Länder eine Schutzwehr gebildet; aber Österreich liegt ausserhalb ihres unmittelbaren Wirkungsbereiches.⁸²

⁷⁹ (continued)

neutrality in the cold war between East and West can disguise the fact that Austria has chosen the West, and that not only for material reasons."

⁸⁰ Washington Post, 3 January 1949, HHSStA, BMAA, 82.459, pol-49, K.1, 1949.

⁸¹ 'Streng Vertraulich' memorandum, 12 January 1949, HHSStA, BMAA, 80.263, K.20, 1049.

⁸² Wimmer (Austrian Legation, Brussels) to Gruber, 31 (Footnote continued)

Gruber now attempted to come inside the "charmed circle" and in London raised the question of future Austrian membership of the Atlantic Pact with Bevin. He received a rebuff:

Dr Gruber said that, once the military clauses in the treaty had been agreed, he considered that the Allied Council should immediately be instructed to authorise the Austrian government to begin preparatory work on the formation of an Austrian army. I agreed with him on this. He then mentioned Austria's relations to the Atlantic Pact in the period after the conclusion of the treaty. If Austria were included in the Pact this would be infinitely preferable to the type of Four-Power guarantee set out in the treaty. I quickly told Dr. Gruber that I must talk to my colleagues among the Atlantic countries on this question, of which I fully understood the implications.⁸³

Bevin's reply meant, in the words of an official in the Ballhausplatz, that Austria "jetzt eindeutig ausserhalb europäischer Schutzorganisation im Niemandsland zwischen zwei Blöcken zu liegen kommt".⁸⁴ After this brush-off Gruber appears to have accepted that - in the short-term at least - Austrian membership of the Atlantic Pact was not practical politics.⁸⁵ He responded by pushing for Austrian membership in the Council of Europe and an official position in the OEEC executive committee.

By spring 1949, however, with international tension

⁸² (continued)

January 1949, HHStA, BMAA, 81.148, pol-49, K.8, 1949; see also Wimmer, p.149 ff.

⁸³ Conversation between Gruber and Bevin, 8 February 1949, PRO, FO 371/76436/C1201.

⁸⁴ Buresch, 17 March 1949, HHStA, BMAA, 81.839, pol-49, K.8, 1949.

⁸⁵ See also Gruber's comments that Austria did not wish to join NATO made to New York Times on 21 June 1949.

over Berlin easing, and the memory of Prague fading, the uncertainty about Austria's future position did not appear to matter as much as it had a year before. Austrian ministers began to consider the need to allay American and French fears about the security issue as equally important as the issue itself.⁸⁶ Opposition from the French military, in particular, had increased and now seemed to be having some influence in the Quai d'Orsay. Shortly before the re-opening of the Austrian Treaty talks in February 1949 Bevin met Schuman in Paris and told him that "we should make a real effort to get the Treaty." But Schuman was cautious about "accepting anything that would automatically mean the evacuation of our occupation troops." He thought the Austrians were "too optimistic about the possibilities of defending themselves alone and under-estimated the communist danger."⁸⁷

Austrian ministers had to tread a thin line between pointing to the dangers of a continued occupation on the one hand and adding fuel to western doubts about Austria's ability to deal with "internal unrest" on the other. As Gruber warned his colleagues shortly before the visit of the American and French deputies to Vienna:

Ich bitte, dass die Herren nicht zu optimistisch sprechen, wenn z. B. wir 4 Jahre Österreich gehalten haben, so kann es nicht so weiter gehen und bleiben. Man muss auf die Fragestellung der Delegierten achten. Keine Panikstimmung machen aber zeigen, wie wichtig besonders in der Ostzone der Vertrag wäre. Diesen Appell richte ich an alle Kollegen. Einen gewissen Grundoptimismus - aber Bedenken nicht vergessen. Wichtig wird die Unterredung des Innenministers mit den Delegierten sein, die bevorsteht. Wie beurteilt man die Sicherheit, wird die Kernfrage der Unterredung in Österreich sein.

⁸⁶ See Gruber, Befreiung, p. 157 ff.

⁸⁷ Conversation between Bevin and Schuman, 27 January 1949, PRO, FO 371/76435/C925.

The ensuing Cabinet discussion revealed some uncertainty and showed that Gruber at any rate still favoured some kind of outside support against a possible Soviet move.⁸⁸

As far as the socialists were concerned, the comments of both Renner and Schürf later in the year suggest that, whatever the nuances involved, they too saw the importance of a western commitment after the Treaty as a central issue. Renner's appeal to the President of the French Assemblée Nationale, Bonnefous, when he visited Austria in October, shows that he was as worried as Foreign Ministry officials that Austria might be left exposed in "no-man's land". He told Bonnefous that the trouble with the western powers was that

you have sacrificed the Austro-Hungarian Empire in 1919 and have abandoned Austria in 1938 for Czechoslovakia which in its turn you abandoned also. These are bad precedents. Besides you are weak, you do not agree with one another and you declare that, in the event of an aggression by the Russians, you would defend yourselves on the Rhine, which means that you would abandon us once more. In these conditions, and even though 90% of the population feels, by its culture and its traditions, tied to the Western Powers, how do you want us to adhere to an organization such as the European Union which answers all of our wishes and my own in particular? As a responsible leader of this country I can therefore only recommend a policy of strict neutrality between the two allied blocks. But the day when I will see the French and the British High Commissioners come into my office and assure me of their agreement between themselves and of their common support and, when behind them, the U.S. High Commissioner guarantees me that he supports them, then I will sign with both hands the request for adherence to the European Union.⁸⁹

⁸⁸AVA, MRP 153, 12 April 1949.

⁸⁹French Memorandum (handed to Galloway by Bēthouart) 1 November 1949, PRO, FO 371/76496/C8543). In view of the evidence presented here Stourzh's view (Geschichte, p.320) that Renner's comments should be taken "cum grano salis" does not seem adequate.

As for Schärff, he was apparently not opposed to the aim of joining the Atlantic Pact as such but merely, for obvious reasons, to publicly declaring it to be Austrian policy before the occupation ended.⁹⁰

What of British policy? It was now more than ever concerned with reducing unnecessary sterling expenditure on the one hand, and avoiding any sweeping commitment to European economic and political integration on the other.⁹¹ More than ever military, political and financial considerations all pointed to an early withdrawal from Austria.

There was thus little sign in London of the kind of military lobbying against a withdrawal which was increasingly conspicuous among the French and Americans. Galloway emphatically endorsed Bevin's rejection of the idea of Austrian membership of NATO, at least in the foreseeable future:

It would be out of the question to defend Austria in the event of war, at least for some years. In these circumstances he thought that it would be wrong to give her a guarantee...which we would not be able to implement. As regards Dr. Gruber's suggestion that Austria should be included in the Atlantic Pact, he felt that it would be deceiving

⁹⁰ Stadler, Schärff, p.377. Schärff's letter to Leon Blum, which Stadler takes as a refutation of the allegation that he favoured Austrian membership of NATO, in fact adds force to it since he specifically acknowledges "dass wir die Einordnung in ein grösseres politisches und vermutlich auch militärisches System brauchen" and merely points out the impossibility of Austria declaring publicly its intention to join the Atlantic Pact before the end of the occupation. See also Mallet (UK Delegation, New York) to Dean, 7 November 1949, PRO, FO 371/76952/C8709.

⁹¹ Milward, Reconstruction, pp.294-8; Geoffrey Warner, 'The Labour Governments and the Unity of Western Europe 1945-1951' in Ritchie Ovendale (ed.) The Foreign Policy of the British Labour Governments, 1945-1951, Leicester 1985, pp.61-82, here 70-1; Bullock, Bevin, p.706ff; Barker, British between the Superpowers, p.167 ff.

the Austrians to include them in the Pact until we had the ability and intention to defend her. He thought that Dr. Gruber would like some guarantee largely for reasons of personal prestige, but believed that the Austrians would themselves realise that it was unlikely that we should be able to implement a guarantee. There would probably be an outcry if they did not get a guarantee, but he did not think that we need take it too tragically.

Like Schärff, Galloway saw internal security as the main issue and concluded that "given availability of equipment, the Austrians would have time, before an Allied evacuation, to build up a sufficient force because they had plenty of trained men available."⁹² Mallet concluded that "we should be very chary of giving Austria any sort of guarantee either within or outside the Treaty" and noted, shortly afterwards that if the Chiefs of Staff view of the previous March meant "that we should not regard seizure of control over Austria as a casus belli, that would seem to be a very good reason against giving a guarantee of her independence." In Washington Bevin re-iterated his dislike of the idea of a guarantee to Austria and no mention of it was made when the Atlantic Pact was signed early in April.⁹³

For some time the discussions over equipping the Gendarmerie as a cadre for a future Austrian army had been delayed by differences between SPÖ and ÖVP, but at end of the summer most of these disagreements had been resolved. Galloway now emphasised that Austria would not be able to defend herself against direct external aggression but would have to "seek safety by securing

⁹²Conversation between Mallet and Galloway, 18 February 1949, PRO, FO 371/76437/C1663. On the Gendarmerie see Winterton to Kirkpatrick, 26, 27 February 1949, PRO, FO 371/76465/C2040, Bader, pp.107-9; Rauchensteiner, Sonderfall, p.244 ff.

⁹³Acheson to Reber, 1 March 1949, FRUS 1949, III, p.1078; Mallet, 5 and 15 March 1949, Bevin (Washington) to FO, 31 March 1948, PRO, FO 371/76438/C2617/C2618/C2766.

herself a place in the framework of the various Unions and Pacts of the Western Powers. She has no alternative." But membership of any pact outside the United Nations, as Galloway himself had argued, would not be practicable in the immediate future and Austria's position immediately after a Treaty would thus be uncertain. This uncertainty caused some cold feet among the generals in London. General Templer, one of the Vice Chiefs of Staff, reported that "we don't feel at all happy at the present situation." But Galloway brushed these misgivings aside. He disputed the "sombre atmosphere" of a Joint Intelligence Committee report and pointed out that Austria had emphatically rejected communism in the recent elections. His conclusion was that "a well trained and equipped force" of half of the planned 27,000 would be sufficient to guarantee internal security.⁹⁴ The Foreign Office endorsed this verdict, stressing the good progress being made in the formation of the Gendarmerie and its reasonable confidence that enough could be done in the 90-day "gap" period between signing a Treaty and withdrawing "to leave Austria internally secure and with the the nucleus of an army for frontier defence." A suggestion from military experts in London that planning should be started sooner was rejected by the Foreign Office on the grounds that it would be opposed by the Soviet authorities.⁹⁵

By the end of the summer 1949, therefore, both British and Austrians had travelled slightly different roads to reach the same conclusion - the sooner the

⁹⁴Templer to Galloway, 11 October 1949, PRO, WO 216/321; Galloway to Dean, 29 October 1949, PRO, FO 371/76465/C8387; for details of the agreement, Vienna to FO, 1 August 1949, PRO, FO 371/76465/C6154.

⁹⁵COS (49), 151st Meeting, 12 October 1949, PRO, DEFE 4/35, Heneage (COS) to Dean, 9 September 1949, Dean to Heneage 4 October 1949, PRO, FO 371/76465/C7200; Heneage to Dean, 12 October, Dean to Heneage 17 October 1949; 'Austria: Internal Security', COS (49) 351, 19 October 1949, PRO, DEFE 5/17.

occupation of Austria ended the better. Some American officials apparently agreed. Coburn Kidd, a diplomat on the American delegation, for example, considered that "even the price the Russians demand is cheaper than what we are paying now, and should be met" and concluded that "on a purely abstract basis divorced from all thoughts of Congress and other hard realities, that the western Ministers should buy the Treaty and take other measures, political and economic, to prevent Austria from succumbing later."⁹⁶ But in Washington these "hard realities" could not be ignored. In Gaddis' words, US foreign policy now sought to defer negotiations with the Russians "until requisite levels of 'strength' had been reached."⁹⁷ Largely because of this tough approach the deadline of 1 September set by the Foreign Ministers in Paris for the completion of the Treaty's small print began to look over-optimistic. The hapless Deputies continued their wrangling over the minutiae of German assets and British and Austrian misgivings increased until something akin to an Anglo-Austrian "front" began to emerge.

5. A missed Roll-back?

Early in August, Reber reported to Washington that the British were "inclined to feel at present that the advantages of prompt treaty settlement are paramount."⁹⁸ An American questionnaire sent to the British and French Governments in mid-August was probably an attempt to deflect this growing pressure and at the same time shift the onus of responsibility, rather than a genuine

⁹⁶Kidd to Williamson, 29 July 1949, FRUS 1949, III, pp.1110-3.

⁹⁷Gaddis, Strategies, pp.82-3.

⁹⁸Reber to Acheson, 5 August 1949, FRUS 1949, III, pp.1113-4.

attempt to gain information at such a late stage. It included a request for suggestions "as to how the Austrian Government will meet lump sum payments without retarding the present rate of recovery and without recourse to direct subsidy by the Western States." The British reply was vague.⁹⁹ Bevin thought that "the cost of the continued occupation to Austria - and indeed to ourselves also - was surely greater than the extra price the Russians were demanding in the Treaty." He would only be prepared to "fall in with the Americans if they wanted to hold out, provided the onus of such a decision were firmly laid on them."¹⁰⁰

In the State Department Kleinwächter had an interview with Robert Murphy, now Acting Director of the Office of German and Austrian Affairs, which he described as "recht unbefriedigend". The Americans objected to making any more concessions over German assets:

Hauptsächliches [sic] Gegenargument: Kritik des Kongresses, der sich Staatsekretär und damit indirekt Präsident - insbesondere im Hinblick auf die fehlgeschlagene und schwer angegriffene Chinapolitik - nicht aussetzen können. Eine rigorose Überprüfung durch den Kongress sei gewiss.

Kleinwächter concluded that further Austrian cajoling would do no good. Gruber retorted by asking if this meant that Murphy preferred "die unbestimmte Fortdauer des gegenwärtigen Zustands in Österreich" to making further concessions.¹⁰¹ But, with an ambitious Austrian

⁹⁹American questionnaire and British replies, 18 August 1949, PRO, FO 371/76447/C6664; see also Acheson to Reber, 18 August 1949, FRUS 1949, III, p.1117.

¹⁰⁰Meeting in FO with Bevin, Mallet and Cullis, 18 August 1949, PRO, FO 371/76447/C6548.

¹⁰¹Kleinwächter to Gruber, 30 August, Gruber to Kleinwächter, 31 August 1949, HAW.

programme of capital investment in preparation, this was no time to risk a rift with Washington and the Austrian Cabinet began to worry that Gruber might go too far in badgering the Americans. Figl signalled to him that although the cabinet wished to sign a Treaty by the 1 September deadline, "wir haben...die Besorgnis, dass wir uns festlegen, ohne dass schliesslich der Vertrag zustande kommt, und dass durch eventuelle Verstimmung der Amerikaner in weiterer Folge materieller Schaden, insbesondere Marshall Plan eintreten könnte."¹⁰² As this comment shows, Austria's room to manoeuvre now was only marginally greater than it had been at the Moscow Conference over two years earlier. Gruber could badger and cajole, but, at the end of the day, since he had nowhere else to go than Washington, his leverage was limited.

The combined efforts of Gruber and Bevin did nevertheless begin to have some effect. Bevin made a strongly worded personal appeal to Acheson to try to get a Treaty by the deadline of 1 September:

After a conversation with Dr Gruber I cannot convince myself that the effect of acceptance of Russian terms will so seriously affect the Austrian economic position as absolutely to rule out a treaty....Dr Gruber has officially informed me that his Government want a treaty now on the best terms that can be got. I fully recognise the imperfection in the Russian draft of Article 35, but my feeling is that the general political advantages of the early conclusion of a treaty outweigh any objections that may be made to the text of the Treaty. It is not, in my view, the terms of the Treaty which matter as much as the physical ability of the Russians to put pressure on Austria. If the conditions are such that Russia can put pressure on Austria, no treaty, however well phrased, will protect her; conversely, once the Russian forces are out of Austria she will be in an infinitely better position to protect her own interests. It is surely worth paying the price and even taking some risk, in order to push the Russians eastward out of Austria. If we do not get agreement on the Treaty

¹⁰² Figl to Gruber (London), 23 August 1949, HHS tA, BMAA, pol-49, 117/L/2/49, K.19, 1949.

now while Soviet Union is embarrassed with Tito, we might find conditions much less favourable in some weeks' time. The effect of conclusion of a treaty which was the first step toward the Russian evacuation of Austria could not fail in my opinion, to have a heartening effect in Yugoslavia. I strongly feel that this is a psychological moment for the conclusion of the Treaty which we cannot afford to miss.¹⁰³

Acheson responded by telling Reber that the "substance of agreement and its long-range effect [are] more important than any immediate political advantages which may be derived from conclusion on present Soviet terms." The effects he feared were the impetus which might be given to the Soviet "peace offensive" and Soviet efforts to delay the establishment of West Germany by bringing about a Foreign Ministers' meeting. He concluded that "acceptance of Soviet terms would make US ratification exceedingly difficult."¹⁰⁴ Although the State Department agreed to extend the talks beyond the deadline, as long as the British took the initiative they were adamant that progress could only come if the Soviets made concessions on German assets.¹⁰⁵

After a western démarche in Moscow on 18 September talks were resumed in New York, where the Foreign Ministers were attending the United Nations session.¹⁰⁶ Here some of the differences within the western camp which had been latent over the past two years emerged at the highest level for the first time. In a series of

¹⁰³Conversation between Gruber and Bevin, 25 August, Bevin to Acheson, 26 August 1949, PRO, FO 371/76447/C6771.

¹⁰⁴Acheson to Reber, 23 August 1949, FRUS 1949, II, pp.1123-4.

¹⁰⁵Acheson to Reber, 30 August 1949, FRUS 1949, III, p.1129; memorandum of Conversation by Murphy, 27 August 1949, FRUS 1949, III, pp.1124-5; see also Murphy's comments relayed by Franks, Washington to FO, 28 August 1949, PRO, FO 371/76447/C6791.

¹⁰⁶For the background see Bullock, Bevin, p.716 ff.

meetings the British urged the Americans to make further concessions. Initially the State Department resisted strongly. On 15 September Acheson marshalled his arguments:

Anticipating French and British emphasis on getting Russian troops out of Austria at almost any cost, we had prepared some economic charts showing that a viable Austria could not be achieved if we yielded on any of our major positions. We had Sam Reber, our deputy on the Austrian treaty, present the Russian position as the deputies had heard it, and his own view that even excessive concessions would not result in a treaty under existing circumstances.¹⁰⁷

Acheson's account reveals a frequently found inconsistency in the American position - on the one hand they argued that concessions were pointless because the Russians did not want a Treaty and on the other that they were dangerous because of the kind of Treaty the Russians wanted.

Despite American misgivings it was agreed that further concessions over oil prospecting fields could be made provided that the Russians conceded at least some of the Gross-Entzersdorf oil field.¹⁰⁸ After a meeting with Vyshinsky produced no Soviet concessions the three western Foreign ministers discussed the position again on 28 September. Bevin - "playing devil's advocate" - questioned whether the Soviet Union was really going further than the Paris decision, as the Americans argued.¹⁰⁹ A further four Power meeting later in the day lasted until 3 a.m. in the morning. Bevin wrote to

¹⁰⁷ Dean Acheson, Present at the Creation, New York 1969, pp. 326-7; see also FRUS 1949, III, pp.1148-54.

¹⁰⁸ Franks (British Embassy, Washington) to FO, 16 September 1949, PRO, FO 371/76449/C7231.

¹⁰⁹ UK Delegation, New York, to FO, 27 and 29 September; meeting of three Western Ministers, 28 September 1949, PRO, FO 371/76450/C7475/7519/C7614.

Attlee that he was "very perturbed at the situation." He continued:

The outstanding points still to be settled are few, and I doubt whether they are of very great importance to Austria. As an example, the question of oil. When the proposals were studied, we found that there was a difference of only 2 million tons, spread over a period of 10 years or more. The Americans are, however, being very adamant on this point, and the atom bomb and the general feeling regarding Russia all combine to make a settlement appear very doubtful.¹¹⁰

On 29 September Bevin presented a memorandum suggesting further concessions on the economic clauses.¹¹¹

State Department officials had viewed Bevin's campaign with mounting irritation. Acting Secretary of State Webb even suggested that if British and French were determined to make more compromises the Americans might withdraw from the negotiations, cease aid to Austria and refuse to ratify any resulting treaty.¹¹² Acheson and Dean Rusk now strongly opposed Bevin's suggestion of further compromises. They suggested that the Russians probably did not wish to see a Treaty which would bring them clear strategic disadvantages. In Rusk's words evacuation would present the Soviets with "an awkward western salient" and "this being so it was surely unwise for us to display too much anxiety to get an Austrian settlement, by giving way to Soviet demands all along the line." This allowed Bevin an opening to

¹¹⁰ Bevin to Attlee, 29 September 1949, PRO, FO 800/439. By stressing Soviet intransigence and overlooking Anglo-American differences Bullock's account (Bevin, pp.728-9) of these talks is misleading.

¹¹¹ Including acceptance of the Soviet text on Austrian jurisdiction (Article 35, paragraph 7a) and the Soviet view that they should be granted leases of DDSG holdings in return for satisfaction on the other articles especially articles 42 and 48. British Memorandum, in FRUS 1949, III, pp.1165-7.

¹¹² Webb, Washington, to Acheson, New York, 28 September 1949, FRUS 1949, III, pp.1160-3.

exploit the contradiction in the American analysis. If a western salient was really to the disadvantage of the Soviets, he argued, "that was surely a further reason for us to try and create one, even at a certain price." He continued:

loosening of the Soviet grip on Eastern Austria could only benefit the whole central European situation. If the Soviet feared the existence of a Western salient that was surely a further reason for us to try and create one, even at a certain price. I appreciated the administration's difficulties with Congress but I also had my own difficulties, I should find it impossible to justify our failure to conclude a treaty unless we had really made the maximum effort and had satisfied ourselves beyond doubt that the Russians refused to settle on fair terms. My fear, almost obsession - was that if things went like this much longer people, especially in the Eastern zone, would give up any hope and compound with the Soviet. Quite apart from this there was always the risk that the Soviet themselves might proceed to more drastic measures resulting in the partitioning of Austria: that would be something more difficult to cope with, than the split in Germany had been. I admitted that I was speaking from a European point of view. Experience had shown Austria to be a bastion, and we wanted her to remain one. If indeed we came to the conclusion, after going to the limits of concession, that the Russians were out to maintain their present foothold in Austria, it would be necessary to review our whole policy towards Austria, with a view to giving her all possible succour and helping her remain in the Western Camp.¹¹³

It was agreed that Bevin would sound out Vyshinsky privately the next day. When he did so he was assured that Stalin wanted agreement on a Treaty but only minor

¹¹³UK Delegation, New York, to FO, 30 September 1949, PRO, FO 371/76450/C7549; the French Deputy, Bertholet, presumably a relatively impartial observer, told the Austrian diplomat Coreth that Bevin had spoken "sehr eindrucksvoll" HHSStA, BMAA, 87.590, pol-49, K. 20, 1949. Bevin's plea makes an interesting contrast to the outspoken letter which Gruber intended to send to Acheson and then withdrew at the behest of State Department officials, HAW. See Stourzh Geschichte, pp.67-8 and Haas, 'Österreich 1949', pp. 185-6.

Russian concessions were offered.¹¹⁴

The debate now moved into the heart of the American administration. At first Truman endorsed the view of his officials. He recorded that even 200 million dollars a year was "not an excessive price to prevent the Russians from extending the Iron Curtain to the western boundaries of Austria, outflanking Germany and Yugoslavia, and positioning themselves at the Brenner Pass."¹¹⁵ This contrasts oddly with the previous American objections to agreeing the Russians terms, which had been that they would involve such a heavy financial burden on Austria that - since the United States could not help - she might collapse. Acheson, however, seems to have been partly persuaded by Bevin's impassioned pleas and now clearly shifted his ground.¹¹⁶ On 7 October Mallet reported that the State Department was "prepared now to conclude the Austrian treaty even if it is necessary to pay the Soviet price for it on Article 35." This was "the result of the steady pressure we have put on the Americans during the last months and, particularly, of the emphasis laid by the Secretary of State on the importance of a settlement from the European point of view, and on the difficulty of justifying a failure on the issues outstanding."¹¹⁷

Bevin's effort of persuasion had successfully

¹¹⁴Conversation between Bevin and Vyshinsky, 30 September 1949, PRO, FO 371/84899/7666; See also Austin to Webb, 30 September 1949, FRUS 1949, III, p. 1167.

¹¹⁵Memorandum by Acting Secretary of State, Webb, 1 October 1949, FRUS 1949, III, p.1168.

¹¹⁶Williamson to Erhardt, 4 October 1949, FRUS 1949, III, pp.1171-2.

¹¹⁷Mallet to Kirkpatrick, 7 October 1949, PRO, FO 371/76451/C7885.

shifted the discussion away from the rather flimsy economic objections to a Treaty to the mixture of strategic and domestic political considerations which lay at the heart of American objections. By now the American High Commissioner, General Keyes, had begun to lobby actively against a withdrawal. In contrast to Galloway's relatively relaxed view he saw the lack of progress in forming an Austrian army as confirmation of his warnings. The American Secretary of War, Louis Johnson, took up the issue and put it to the National Security Council on the grounds that "the Army cannot provide the necessary means for assuring Austrian internal security."¹¹⁸ The paper produced by the State Department for the National Security Council shortly afterwards was presumably designed to meet these arguments. In one of the earliest uses of the word in this sense, it held out the prospect of "the first roll-back of Soviet Military control in the European area."¹¹⁹ A week later Mallet reported that the State Department had asked them to "go slow while they complete their process of selling to Congressmen and Senators the idea that we shall have to accept the Soviet terms on Article 35 if we are to have a Treaty and that the Treaty is worth having at that price."¹²⁰ On 26 October Truman made a decision to go for a Treaty "on the best possible terms" but with the proviso that no Treaty should be signed until Austrian security was considered satisfactory. This "twin-track" decision allowed the diplomats more room to compromise in the

¹¹⁸Williamson to Erhardt, 4 October 1949, FRUS 1949, III, pp.1171-2.

¹¹⁹Progress Report on the Austrian Treaty, n.d. FRUS 1949, III, pp.1179-81.

¹²⁰Mallet to Kirkpatrick, 12 October 1949, PRO, FO 371/76451/C7986; Haas argues ('Österreich 1949', p.189) that opposition to the Treaty came from the State Department rather than the Military, a conclusion which appears to be undermined by his own evidence on the role of Keyes and Johnson.

Treaty talks but still left the military with an indirect veto on final withdrawal. Most importantly, it meant that American concessions would only come after maximum resistance. The result was a critical delay. As Mallet wrote to Strang

if we do get agreement it will be on terms which we could have got last July had we been willing then to pay the Soviet price. But of course the Americans were not ready to do this at that time. It was not until after the Ministerial talks here that the State Department was able to convince itself that we must be prepared in the last resort to pay the Soviet price. Then the State Department had to sell this idea to the Military and others, including the President. This they duly did but only on various conditions, one which was that the Deputies should continue to make every effort to squeeze public concessions out of the Russians before finally giving way, if they have to give way.¹²¹

The details of the further discussions of the unfortunate Deputies will not be examined here. In the middle of November western delegations finally conceded the last Soviet point on the German Assets settlement to the Russians. In doing so they gave the Russians substantially what they had asked for on the details of the oil prospecting areas and Danube Shipping.¹²² After some hectic exchanges with Austrian Governments western governments agreed in principle early in December to withdraw their proposal stipulating Austrian compensation for western interests transferred to the Soviet Union and come to a bilateral agreement with the Austrians.¹²³

¹²¹Mallet to Strang, 3 November 1949, PRO, FO 371/76952/C8858.

¹²²Deputies, 234th Session, 19 November 1949, PRO, FO 371/76952/C8870; Text of final version of Article 35 (Article 22 of the 1955 State Treaty, and annexes) in Stourzh, Geschichte, pp.264-276.

¹²³UK Delegation, New York, to FO, 15 November, FO to Vienna 16 November 1949, PRO, FO 371/76452/C8857; Mallet (UK Delegation, New York) to FO, 21 November (Footnote continued)

The surrender of the last substantial western counter did not produce the expected quid pro quo however. Instead, Zarubin re-awoke the dormant question of Austrian repayments of Russian food deliveries from 1945 which had for some time been the subject of desultory discussions in Vienna. It was an obvious red herring. The talks adjourned and the British and French returned across the Atlantic for Christmas. At the resumed talks in January 1950 the Soviet delegation signalled its unwillingness to make further progress by raising further extraneous issues - Trieste, denazification and demilitarisation.¹²⁴

Was an agreement on Austria possible six years before 1955? The evidence suggests that it probably was. In April 1949 Gruber had reported that Zarubin "liess immer durchblicken, dass er den Vertrag machen möchte."¹²⁵ Though hardly displaying the sort of urgency they had in April 1948, the Soviet government appears to have wished to sign a Treaty for some time after the Paris conference - albeit on the best possible terms. Gruber considered that they wished to do so in order to withdraw with the profits from German assets to concentrate on economic reconstruction.¹²⁶ In mid-July Reber reported that Zarubin seemed "most anxious to conclude negotiations early in August."¹²⁷ Even as late

¹²³(continued)
1949, Bevin n.d. PRO, FO 371/76952/C8941; Deputies, 239th and 240th sessions, 3 December 1949, PRO, FO 371/76489/C9294; Gruber, 25 November 1949, HAW.

¹²⁴For a summary see Mallet's 'Review of Negotiations to the End of 1949', 31 December 1949, FO, PRO, FO 371/76458/C9981; also Stourzh, Geschichte, pp.62-69.

¹²⁵AVA, MRP 153, 12 April 1949.

¹²⁶AVA, MRP 162a, 23 June 1949; see also 'Monthly review of Soviet tactics', July 1949, PRO, FO 371/77606/N6186.

as October Vyshinsky told Bevin that "Stalin himself had repeatedly given instructions that the Treaty should be concluded as soon as possible."¹²⁸

The reasons for the change in the Russian position must be largely a matter for speculation. Differences within the Kremlin may have played a part.¹²⁹ On the whole it seems likely that the change had less to do with Austria than with Germany. The linkage of the two issues, already been visible before, was now firmly anchored in Soviet policy and would remain so for the following five years.¹³⁰ It may be that the failure to prevent the establishment of the Federal Republic meant that an Austrian Treaty was no longer seen in the Kremlin either as a useful carrot with which to tempt the West Germans or as a means of effecting a further meeting of the Foreign Ministers to discuss the subject. The election of Adenauer as West Germany's Chancellor and the raising of the spectre of German re-armament may have strengthened this conclusion.

The argument that the talks broke down because of American refusal to agree to any Treaty which precluded Austria's military integration into the West¹³¹ is

¹²⁷Reber to Acheson, 14 July 1949, FRUS 1949, III, pp.1105-6.

¹²⁸Conversation between Bevin and Vyshinsky, 30 September 1949, PRO, FO 371/84899/C7666; see also Austin to Webb, 30 September 1949, FRUS 1949, III, p.1167.

¹²⁹For hypotheses on divisions within the Kremlin see Marshall D. Shulman, Stalin's Foreign Policy Re-appraised, Cambridge (Mass) 1963, McCagg, Stalin Embattled; Timothy Dunmore Soviet Politics 1945-1953, London 1985.

¹³⁰Brook-Shepherd (p.249) argues that the Russian hardening was the result of Yugoslavia's successful defiance. This does not however explain in what way the situation changed between June and October in this respect. See also Stourzh, Geschichte, p.65.

unconvincing for the simple reason that the 1949 Treaty would not have involved any such restriction. Admittedly, American and French military opposition to the Soviet demand for a veto on Austria employing foreign military experts (Article 27, paragraph 3) had increased in the second half of November. Yet this was not the issue which brought negotiations to a halt in December and if it had been the only obstacle to agreement the West would have accepted the Soviet position. Nor was Soviet opposition to Austria's membership of the Atlantic Pact as clear-cut in 1949 as it was to be five years later. At the start of August an Austrian official was told that the Russians insisted on their draft for Article 27 "da die Sowjetunion gerade im Hinblick auf sich mehrende Anzeichen, dass sich Österreich nach dem Atlantikpakt anschliessen werde, begreiflicherweise misstrauisch [sei]"¹³² This suggests the Soviet Union had not ruled out the possibility that Austria might seek to join NATO. Yet since the Treaty contained no stipulation which could have stopped her joining and since the Soviet Union certainly showed no sign of insisting on a declaration of neutrality as a condition of signing, it is hard to resist the conclusion that the Soviet Union might have been prepared to accept this outcome so long its main concern - Germany - was settled satisfactorily.

Did the West, therefore, in a sense "miss a trick" over Austria in 1949? Bevin certainly appears to have thought so when he reported to the cabinet in April 1950. Even the sober language of the cabinet paper can hardly disguise his irritation with the Americans:

[The failure] was largely due to the fact that the Russians interpreted the Paris agreement in a

¹³¹Haas, 'Österreich 1949', p. 193

¹³²Coreth (Austrian legation, London) to BMAA, reporting conversation with Dzubienko, 1 August 1949, HHStA, BMAA, 85.980, pol-49, K.24, 1949.

manner which seemed to go beyond the decision of the Ministers in several respects....While Soviet policy ultimately underlies all our troubles with the Austrian Treaty, we have also had difficulties with our Western allies. Neither the United States nor the French Government seem really to have faced the full implications of getting an Austrian Treaty until it was too late to reverse the policy of trying to get one. For a long time the United States Government sheltered behind the supposed unwillingness of the Soviet government to conclude a Treaty, and behind the complexity of the German assets question. However, when the negotiations were resumed at the beginning of 1949, the State Department had evidently decided in favour of concluding the Treaty, provided tolerable terms could be secured....It is possible that the Americans went further in Paris than they intended to, and that this was one of the reasons for their stubbornness in the subsequent negotiations. At any rate, when it became clear enough to us that, however unreasonable the Russian interpretation of the Paris agreement, we must be prepared to swallow it for the sake of getting an early Treaty, the Americans were unwilling to do this, and insisted on leaving a number of points unsettled in the hope of eventually getting better terms from the Soviet...The hesitation of the State Department was not solely based on their own doubts whether it was safe to concede to the Russians certain extra economic advantages in Austria for the sake of getting the Treaty: they were concerned also with their own domestic difficulties particularly with the Army Department and with Congress, and indeed public opinion generally. The State Department feared that further concessions to the Russians, even though this meant simply confirming them in the possessions which they already held, would raise such strong opposition, especially from those who were opposed to the withdrawal of American troops from Austria, that it might be impossible to obtain ratification of the Treaty by Congress.

A month later - after a further meeting of the indefatigable Deputies had produced no progress - Bevin reported that "the fact that the Russians have ceased to want a Treaty has altered the whole position, and I do not now advocate the making of concessions which are unlikely to serve any useful purpose."¹³³ Seven weeks later the Korean war broke out.

¹³³ CP (50)66, 11 April 1950, CAB 129/39; CP (50)93, 4 May 1950, PRO, CAB 129/39.

CHAPTER SIX: CONCLUSION AND POSTSCRIPT - TOWARDS THE SETTLEMENT OF 1953-5

By the summer of 1950 it was clear beyond doubt that there was no likelihood of a four Power agreement on Austria. This study has tried to show how the basis for such an agreement emerged after the war and why the agreement itself did not. The fragile Allied consensus on which the occupation of Austria was based entailed a tacit deferment of any detailed discussion of her post-war future, beyond the fact and organisation of the occupation itself. By the time those discussions began the world was moving fast into a state of polarisation and mistrust. As a result of her rejection of communism Austria was able to move swiftly from her ambiguous position as a part-defeated and part-liberated country toward that of junior partner on the side of an anti-communist West. At the same time she was able to obtain the sustained western aid which allowed her both to overcome her immediate post-war disruption and to continue a long-term re-orientation from the Danube area to western Europe.

American commitment came at a price, however. It meant that Austria's future became coupled to shifts of perception on the other side of the Atlantic. Initially this did not matter much as both Austrians and Americans had similar perceptions of the threat posed by the Soviet Union. Although Gruber had some differences with the Americans at the Moscow Council of Foreign Ministers they were differences about the best method of resisting this perceived threat not about the reality of the threat itself. Since any Treaty settlement at that stage appeared to involve a Soviet economic enclave in eastern Austria, the widespread western view that a Treaty meant a risky leap in the dark was, within this set of assumptions, not irrational.

The shift of discussions onto the basis of the Cherrière plan after October 1947 substantially met this objection, however, by converting the complex of German assets (with the exception of oil and Danube Shipping Company) into financial terms. But since western, and above all American perceptions of a Soviet threat had deepened in the mean-time and since the Americans alone were capable of supplying the funds required to "pay off" the Russians, this was not reflected in the Treaty discussions. By the end of 1947 it had become clear that the State Department was reluctant to accept that the Soviet Union was capable of negotiating in good faith. Bevin on the other hand, even though his mistrust of Soviet intentions was certainly not less acute, saw the chance for an acceptable settlement. His intervention at the London Conference of Foreign Ministers in December 1947 was one crucial expression of this. The Soviet government's acceptance of the Cherrière plan as a basis for discussion soon after confirmed the correctness of the move and, most importantly, indicated that whatever plans it may previously have had, it had by now accepted Austria's western orientation.

Many in the West, however, not least as a result of Soviet actions in eastern Europe and eastern Austria, found this difficult to believe. The State Department, in particular, took the view either that the Russians did not want an agreement, which made negotiations futile or that they did, which made them dangerous. Both American military objections and the domestic difficulty involved in the lump-sum payment also now emerged clearly. The communist take-over in Prague in February 1948 re-inforced existing doubts. However flawed the comparison between Austria and Czechoslovakia, the nervousness in the West - not least in Vienna - was understandable. It meant that in April 1948 Austrian ministers were as suspicious as British and American about the Soviet Union's sudden readiness, even eagerness, to sign a Treaty. The British, and above all the Americans, then used the Soviet Union's formal

support for Yugoslavia's territorial claim as a pretext on which to adjourn the talks. In reality the lines of a compromise solution to the border question had long been visible.

By early 1949 as the Treaty talks resumed, the sense of crisis within Austria had lessened. Berlin had not been repeated in Vienna. The Cominform split confirmed that the border question was not a central issue. The arguments advanced by the Americans (and to an extent the French) against making concessions had now lost much of their plausibility. It was no longer convincing - provided the Americans maintained their existing level of support - to argue that Austria would probably "fall" to communism, or that the economic burden of the Treaty would bring about Austria's collapse. Austria's economic revival, social stability and anti-communism were clear proof to the contrary. In the final analysis, the military objections to leaving Austria had little to do with Austria's internal situation and boiled down to the calculation that in the case of a general war in Europe the West could be better defended with western troops placed in (western) Austria. This had little to offer the Austrians, however, and ultimately implied the indefinite continuation of the occupation.

The divergence between the American and Austrian position began to emerge more strongly in the course of 1949. The British, primarily motivated by the wish to end their commitment in Austria, generally supported the Austrians and pressure on the Americans from Vienna and London grew. The Foreign Ministers' agreement at Paris in June 1949 suggested that the Russians, for whatever reasons, were still ready to leave Austria, even without a guarantee that Austria would not join a western defence organisation. By the time the Americans had been cajoled or persuaded to make further concessions, the Soviets government was evidently no longer interested. Except on assumption that agreement on Austria in 1949

would indeed, as argued in Washington, have seriously undermined American policy goals elsewhere, it is difficult to avoid the conclusion that United States policy on Austria was - even within its own terms of reference - misconceived.

It remains to sketch briefly the events which led to the State Treaty of 1955 in the light of the previous discussion. In general, these changes have been seen almost entirely in terms of a shift in Soviet policy following the death of Stalin and much ink has been spilled on trying to explain the change. These discussions, however, are based on the assumption that the Soviet Union had consistently opposed the evacuation of Austria from 1945 onwards. This assumption, it has been argued here, is unfounded.

After 1950, it is true, the Soviet Union adamantly refused to leave Austria as long as the German question remained "unresolved". The Austrian treaty in itself was not the issue and Zarubin admitted as much in the middle of 1951 when he told Gruber that "Wenn es darauf ankommt, so machen wir den Staatsvertrag mit Österreich in zwei Stunden."¹ Yet although - or because - Soviet obduracy provided western governments with a valuable propaganda weapon, it also spared them the question of what they would consider an acceptable price for a Soviet withdrawal. Although the Soviet decision to finally and clearly name its price in 1955 was important, Austria's ability to disregard the West's dislike of that price was no less so.

The changes in the relationship between Austria and the United States in the early 1950s are therefore probably as important as changes in Kremlin policy in

¹AVA, MRP 247, 8 May 1951.

explaining the Austrian State Treaty of 1955. The most crucial of these was surely the decline of the importance, both psychologically and materially, of the American commitment to Austria. On the psychological level Austrian fears of a Soviet threat diminished and as a result, western military protection was no longer considered crucial. Early in 1950 Mallet had recognised Soviet concern at the possibility of Austria joining NATO with some sympathy but rejected the solution that the British should meet these fears by "disinteresting" themselves in Austria for two reasons; firstly, because of likely American and French opposition and secondly, because it was "unlikely that Austrian morale would survive such a desertion."² Austria's fear of being "deserted" can hardly have been lessened by the outbreak of the Korean war and the communist "putsch" of October 1950, even if the latter was less of a Soviet take-over attempt than sometimes maintained.³ By the same token, however, it probably was eased by the growing stalemate in Korea after 1951 and the apparent acceptance by the Soviet Union of the existing lines of division in Europe (apart from Germany) including the "heretical" Yugoslavia. The realisation in Vienna that NATO contingency plans, at least as seen from London, did not envisage a defence of Austria, may have strengthened the feeling that she had, in any case, little to gain militarily from her links with the West.⁴

²Mallet, 2 February 1950, PRO, FO 371/84921/C908.

³On the "putsch" see Pelinka, pp.194-9; Rauchensteiner, Sonderfall, pp.289-97; at the time it was going on the Austrian cabinet took note of the "Teilnahme Österreichs und die Instruierung des Vertreters an der Besprechung über die Probleme des Nordatlantikpaktes", AVA, MRP 220, 3 October 1950; see also Stourzh, Geschichte, p. 321.

⁴See the shocked reaction of the Austrian Ambassador in London, Wimmer, to Montgomery's comments that "if there is war, we have to retire from your country, we have nothing there." Wimmer to Gruber, 7 July 1952, HHStA, BMAA, 154.619, pol-52, K.44, 1952.

By 1952 more voices could be heard in Austria publicly rejecting Austrian membership of NATO.⁵

The other side of the coin was Austria's increased material room for manoeuvre vis-à-vis the United States. By the end of 1952 the Austria appeared, for the first time, to be close to a solution to the economic problems which had plagued her from her inception at the break-up of the Habsburg monarchy. Not least as a result of ERP financed investment, especially in such key areas such as chemicals, steel and hydro-electricity, she was able to benefit from the general expansion of western European trade after 1949. By November 1953 Austrian exports were 38% above the level of 1937 in volume terms. After the inflationary crisis of 1952 had been successfully mastered, Austria was able for the first time to establish a modest credit on her account with the European Payments Union⁶ and by the time ERP payments ceased in June 1953 Austria had moved towards a unified exchange rate and some cautious trade liberalisation.⁷

There were, admittedly, shadows over this success. Trade with Austria's partners to the East had dropped to record depths.⁸ The enormous expansion in trade with West Germany caused many misgivings, both on political and economic grounds. Austria had a considerable deficit with her biggest customer which could only be offset by

⁵Stourzh, Geschichte, p 110 ff.

⁶Zehn Jahre ERP, p. 97.

⁷Alois Brusatti, 'Entwicklungen der Wirtschaft und Wirtschaftspolitik', in Wienzierl and Skalnik, Österreich: Die Zweite Republik, pp.417-99; Matzner, Trade, pp.23-5.

⁸Matzner, Trade, p.30-3.

a large increase in invisible earnings from tourism and investment inflows. This gave rise to charges that Austria had acquired an "economic colonial status" and talk of a "cold Anschluss".⁹ For our purposes, however, it is enough to make the point that, whatever the drawbacks, Austria's improved economic position after 1953 did give her the freedom of manoeuvre which was a necessary though not sufficient condition for the settlement of 1955.

From 1953 there were clear signs of this. Hitherto the Austrians had moved steadily away from acceptance of the heavy economic burdens which the 1949 Treaty draft would have involved. Austrian leaders had taken the view that this agreement would have to be re-negotiated to make it acceptable to the Austrian parliament. The concessions made by the West in 1949 should not simply be allowed to remain on the table. This feeling dove-tailed with the American inclination to exploit Soviet intransigence for propaganda ends, as exemplified by the proposal of an "abbreviated treaty" in 1952.¹⁰ Austria's improved economic position now allowed her to make an important shift. As one British official in Vienna put it, the previous assumption that the West would have to dip into its pockets in order to pay the lump sum now appeared "exaggerated".¹¹ In April 1953 the Austrian government declared that they did not "anticipate any difficulty in meeting their obligations under Article 35."¹² Even though, in the event, Austria was not required to pay the full measure, this statement

⁹See Shepherd, pp. 211-9; Peter J. Katzenstein, Disjointed Partners: Austria and Germany since 1815, Berkeley 1976, pp.178-198.

¹⁰See Stourzh, Geschichte, pp.76-9.

¹¹Labouchere, n.d. [February 1953] , PRO, FO 371/103760/CA68.

¹²Austrian Note, 20 April 1953, PRO, FO 371/103761/CA91.

remains an important demonstration of the fact that Austria was now able to act independently of the United States. It was probably no coincidence that the first Austrian feelers on neutrality were made shortly afterwards, as Gruber - without consulting western governments - tried to use India's good offices to sound out Molotov.¹³

Bilateral negotiations with the Soviet Union and the risk of upsetting western governments which they entailed, had little point, however, unless there was a prospect of them leading somewhere. Until 1955 there did not appear to be any. At the end of 1952 the Soviets had mentioned Austrian neutrality as a desirable goal, but only in vague terms, alongside trading policy and neo-nazism.¹⁴ Molotov's unresponsive reaction to Gruber's démarche in 1953 and Soviet intransigence at the Berlin Conference early in 1954 confirm the point that Austrian neutrality was in no sense a magic key waiting to be picked up to unlock the door to a Treaty.

The reasons for the Soviet change of policy, heralded in Molotov's speech of February 1955, will not be discussed here.¹⁵ Once it is accepted that there had never been an absolute Soviet refusal to leave Austria, what has been described as a "mystery as impenetrable as it is tantalising" appears to be neither¹⁶ and can probably be largely explained in terms of the Soviet

¹³Stourzh, Geschichte, pp.86-9.

¹⁴Löwenthal, Austrian Ambassador, Washington, to BMAA, 26 September 1952, HHStA, BMAA, 156.139, pol-52, K. 38, 1952; see also Stourzh, Geschichte, p.82.

¹⁵See inter alia, Stearman, pp.158-170; Mastny, 'Kremlin Politics'; Stourzh, Geschichte, p.131 ff.; idem, 'The Austrian State Treaty,' in Austria History Yearbook, 17/18, 1981-2, pp.174-187; William Bader 'Austria: the US path to neutrality', in Robert A. Bauer (ed.), The Austrian Solution, Charlottesville 1982, pp.92-7.

¹⁶Wheeler-Bennet and Nicholls, p.485.

Union's reaction to West Germany's move into NATO.

The question of how the Austrians were able to respond to the Soviet move seems, as a result, to deserve more attention than it is usually given. There can be little doubt that the Americans were unhappy about the Austrian response to Molotov's speech. Gruber, now ambassador in Washington, reported American apprehensions before the the Austrian delegation set off for Moscow:

Die Einladung hat bei der amerikanischen Regierung zwar keine Freude ausgelöst. Man sieht aber ein, dass sie von uns angenommen werden muss. Es wäre wichtig, dass die Reise nicht zu gross aufgeblasen wird. Man sieht in Washington ein, dass wir keinen militärischen Bündnissen beitreten wollen, doch möchte man, dass wir diesem Punkt keine besondere Prominenz geben. Sollen schliesslich die USA allein den Kommunismus ablehnen? Das Wort "Neutralität" sollte möglichst wenig gebraucht werden, selbst wenn es dem Sinn nach zu einer solchen kommen würde. Man sollte diese neue Phase nicht als eine Bindung hinstellen, die Österreich aus dem bisherigen Zusammenhang herausnimmt.¹⁷

In 1949 it would surely have been unthinkable for the Austrians to risk a public rift with the Americans in this way. Bilateral negotiations had been ruled out by the Austrians, not merely because they seemed likely to be unsuccessful, or possibly dangerous, but also because of the likely damage to relations with the West. In 1955, however, they could take this risk and brush American misgivings courteously but firmly aside. Whatever their reservations the Americans could hardly openly oppose the Austrian move.¹⁸

¹⁷ Meeting with Austrian ambassadors from London, Moscow, Paris and Washington on 28 March 1955, HHStA, BMAA, 320.920, pol-55, K.40, 1955.

¹⁸ See Eisenhower's account of how Dulles came in after the signature of the Treaty and "grinned rather ruefully and he said, "well, I think we've 'had it'..." cited by Melvin Laski 'The Austrian "Miracle"', Encounter, 55,1, 1980, p.92.; also interview with Bruno Kreisky in Der Spiegel, 11 February 1985.

British misgivings were of even less importance to the Austrians. The Austrian Ambassador in London, Johannes Schwarzenberg, reported that the Foreign Office was worried about an Austrian declaration of neutrality partly because of possible repercussions on the German situation and partly because neutralization might seem to have been imposed on Austria. The phrase "permanent neutrality" was also disliked.¹⁹ Despite these doubts the British were probably in the end content enough to wind up their anomalous and by now purely token presence on the banks of the Danube. As before, they seem to have been most concerned to avoid making any commitment which might bring them back there. At the end of November, Schwarzenberg presented the official notification of Austria's neutrality to the Foreign Office and reported that officials were anxiously avoiding any mention of a guarantee. He concluded that "die Furcht vor der 'Garantie' steckt dem Foreign Office in den Knochen. Je weniger wir davon reden, desto lieber ist es den Herren..." No guarantee was given.²⁰

Once again this makes a striking contrast to earlier Austrian views. British stand-offishness was now of little importance and even the lack of a western guarantee was evidently not considered crucial. As the jubilation of the crowds outside the Belvedere Palace demonstrated, the Austrians were only too happy to see the four elephants disembark from the Austrian boat. Flying the ensign of perpetual neutrality, protected by the hull of its social and political stability and powered by an economic motor constructed by German and American capital, it was ready to head for the open sea.

¹⁹Schwarzenberg account of conversation with Geoffrey Harrison (Head of the Central Department) to BMAA, 20 April 1955, HHStA, BMAA, pol-55, 321.456, K.40, 1955.

²⁰Schwarzenberg to Schoener, 29 November 1955, HHStA, BMAA, pol-1955, 326.56, K.9, 1955.

APPENDIX ONE: MAIN BIOGRAPHICAL DETAILS (Main Sources: Who's Who, Who Was Who, Foreign Office Lists, 1945-1950).

- BERTHOUD, Eric Alfred, 1900- . Director Economic Division, ACA, BE, 1944-6, Under-Secretary, Petroleum Division, Ministry of Fuel and Power, 1946-8.
- BEBLER, Aleš , Yugoslav Deputy Foreign Minister.
- BERTHOLET, French Deputy for the Austrian Treaty, 1949.
- BÉTHOUART, Emile Marie, French High Commissioner, 1945-1950.
- BEVIN, Ernest, 1881-1951. British Foreign Secretary, 1945-1951.
- BROWN, Alfred, 1883-1955. COGA 1944-7, Legal Adviser to FO (German Section) 1947, Director of Legal Division, ACA(BE) 1948.
- BURESCH. Austrian Ministry of Foreign Affairs, London Embassy, 1949.
- BURROWS, Bernard A.B., 1910- . First Secretary of German (Political) Department, 1945-7; Washington Embassy 1947-50.
- CACCIA, Harold Anthony, 1905- . British Minister, Vienna, December 1949, High Commissioner, August 1950, Ambassador, 1951-54.
- CHAPUT DE SAINTONGE, Rolland Alfred Aime, 1912- . Assistant Secretary, COGA, 1945-7, Head of German Information Department, August 1947-58.
- CHEETHAM, Nicholas John Alexander, 1910- . Political Division, ACA (BE), 1946-8.
- CHERRIÈRE, O.R.P, French Deputy High Commissioner, 1945-8, French representative on the Austrian Treaty Commission 1947 and Special Deputy for the Austrian Treaty, 1947-9.
- CICMIL, Obdrad, Yugoslav Ambassador to London.
- CLARK, Mark Wayne, US. High Commissioner and Commander-in-Chief, 1945-1947, Special Deputy for the Austrian Treaty 1947.
- CORETH, Austrian Legation, 1949.
- COLVILLE, John, 1915- . Southern Department 1945-6.
- COULSON, John Eltringham, 1909- . Acting Head of

Economic Relations Department, 1946.

CULLIS, Michael Fowler, 1914- . Head of Austria Section, German (Political) Department, 1945 - 1950.

DAW, Sidney E.H., 1897-1963. Economics Division, ACA, BE, Commerical Counsellor, 1945-7.

DEAN, Patrick H., 1909- . Assistant Foreign Office Legal Advisor 1939-45, Head of German (Political) Department, 1946-50.

DENT, John, Economic Relations Department 1945-6.

DIXON, Pierson John, 1904-65. Principal Private Secretary to Eden, 1943-5 and to Bevin, 1945-8.

ERHARDT, John, 1889-1959. US Political Adviser and Minister in Vienna, 1945-50.

FIGL, Leopold, 1902-65. Austrian Chancellor, 1945-53.

GALLOWAY, Alexander, 1895-1977. British High Commissioner and Commander-in-Chief, British Troops Austria, October 1947-50.

GINSBURG, David, Economic Adviser to US Delegation, Austrian Treaty Commission 1947.

GOULD, Barbara Ayrton, d. 1950. Labour MP 1945-50

GOUSEV, Feodor, Soviet Ambassador to Britain, 1943-6, and Representative on European Advisory Commission 1944-5.

GREGORY, Henry, 1889-1959. Board of Trade, 1945-8, Custodian of Enemy Property for England 1948-50.

GRUBER, Karl, 1909- . Provisional Landeshauptmann of Tyrol, April 1945, Austrian Under-Secretary of State for Foreign Affairs 1945, Minister for Foreign Affairs, 1945-53.

HARVEY, Oliver, 1893-1968. Principal Private Secretary to Eden 1941-3, Assistant Under-Secretary FO, 1943-6, Deputy Under-Secretary 1946-7, Ambassador to France, 1948-54.

HOOD, Samuel, 1910-82. Special Deputy for the Austrian Treaty, 1947.

HYND, John, M.P. 1902-71. Labour M.P. for Sheffield 1944-70, Chancellor of the Duchy of Lancaster and Minister for Germany and Austria, 1945-7.

JERRAM, Bertrand, 1891-1971. British Minister to Austria, 1948-9.

KEYES, Geoffrey, 1888-1967. American High Commissioner

- and Commander-in-Chief, 1947-50.
- KIRKPATRICK, Ivone, 1897-1964, Berlin Embassy 1937-8, Deputy Commissioner Control Commission for Germany, 1944, Assistant Undersecretary FO, 1945, Deputy Under-Secretary 1948, Permanent Under-Secretary, German Section, 1949.
- KISSILEV, Yevgeniy Dmitriyevich, 1908-63. Soviet Political Advisor, Vienna, 1945-8.
- KLEINWÄCHTER, Friederich. Austrian Minister, Washington.
- KOKTOMOV, Soviet Special Deputy for the Austrian Treaty, 1948-9.
- KONEV, Ivan. Soviet High Commissioner and Commander-in-Chief, 1945-6.
- KOPTELEV, Mikhael Efremovich, 1904-52. Deputy Soviet Political Advisor, 1945-8, Political Advisor, 1948-51.
- KRAULAND, Peter, ÖVP, b. 1903. Austrian Minister for Reconstruction.
- KURASSOV, Vladimir, Soviet High Commissioner and Commander-in-Chief, 1946-9.
- LEONTIĆ, Yugoslav Ambassador to London, 1945-48.
- LORIE, Director of Reparations, Deliveries and Restitution Division, ACA(BE) 1946-7.
- MAIR, John, Political Division, British Element, 1945-7.
- McNEIL, Hector, 1907-1955. Minister of State, Foreign Office, 1946-50.
- MCCREERY, Richard Loudon, 1898-1967. British Commander-in-Chief and High Commissioner, 1945-6.
- MARJORIBANKS, James, 1911- . Head of Peace-Making Section, 1945-7, First Secretary of the German Political Department 1947-49, Special Deputy for the Austrian Treaty, 1947-49.
- MOSELY, Philip Edward, US Political Advisor, European Advisory Commission 1944-5.
- NICHOLLS, John, 1909-70. Head of the Political Division, British Element, ACA., 1945-6, FO, German Section 1947-9.
- NICHOLLS, Philip, 1914- . Political Division, ACA (BE), Control Office, 1945-7.
- NOVIKOV, Head of Soviet Delegation to Austrian Treaty Commission, 1947.

- O'NEILL, Con, 1912- . Assistant Head of German Department 1945-6.
- PAKENHAM, Frank, 1905- . Parliamentary Under-Secretary of State, War Office, 1946-7, Chancellor of the Duchy of Lancaster with special responsibility for German and Austria, 1947-8.
- PASSANT, Ernest James, 1890-1959. Foreign Office Research Department.
- PEAKE, Charles, 1897-1958. British Ambassador, Belgrade, 1946-1951.
- PLAYFAIR, Edward, 1909- . Treasury 1934-46, COGA, 1946-7.
- REBER, Samuel, 1903-71. US Special Deputy for the Austrian Treaty, 1948-50.
- RENDEL, George, 1889-1979. Head of British Delegation, Austrian Treaty Commission, 1947.
- RENNER, Karl, 1870-1950. Austrian Chancellor, 1945, President, 1945-50.
- ROBB, Michael Anthony Moyse, 1914-77. Economic Relations Department.
- ROBERTS, Frank, 1907- . Chargé d'Affaires, British Embassy Moscow, 1945-7, Principal Private Secretary to Bevin, 1947-9.
- SARGENT, Orme, 1884-1962. Deputy Under-Secretary 1933-46, Permanent Under-Secretary 1946-9.
- SCHARF, Adolf, 1890-1965. Austrian Vice-Chancellor and Chairman of SPÖ, 1945-1965.
- SCHMID, Heinrich, Austrian Minister in London, 1946-50.
- SCHUSTER, Lord Claud, 1869-1956. Director of British Legal Division, ACA(BE) 1944-1946.
- SCHWARZENBERG, Johannes, Austrian Ambassador to Britain, 1955-66.
- SOUTHAM, Alexander, William, 1898-1981. Director of Economic Division, ACA(BE).
- STEVENS, Roger, 1906-80. Foreign Office, Economic Relations Department, 1946-7.
- STRANG, William, 1893-1978. British representative on EAC, 1943-45. British Political Advisor, Germany 1945-7, Permanent Under-Secretary (German Section), 1947-9, Permanent Under-Secretary 1949-53.
- TROUTBECK, John, 1894-1971. Head of German Department, 1945-6, Assistant Under-Secretary 1946-7.

APPENDIX TWO: PRINCIPAL BRITISH INTERESTS IN AUSTRIAN

TURNER, Mark, 1906-80. Director of Economic and Industrial Planning Staff (EIPS), 1944-5, Under-Secretary, Control Office 1945-7.

WALEY, David, 1887-1962. Under-Secretary, Treasury, Head of British Delegation, Paris Reparation Conference 1945.

WILDNER, Heinrich, Generalsekretär, Bundeskanzleramt, Bundesministerium für Auswärtige Angelegenheiten.

WILKINSON, Peter Allix, 1914- . Political Division, ACA(BE) 1945-7, First Secretary, British Legation 1947-1948.

WILLIAMSON, Francis, 1907-64. State Department, Central European Desk.

WIMMER, Lothar, Austrian Minister to Belgium, 1946-1950, Ambassador to Britain, 1950-55.

WINTERTON, John, 1898- . Deputy Commissioner ACA(BE) and Deputy Commander-in-Chief, 1945-50, Commissioner and Commander-in-Chief, 1950.

WODAK, Walter, 1908-74. Press and Labour Attaché, 1946. First Secretary, Austrian Legation, London, 1947-50.

ZARUBIN, Geory Nikolayevich, 1900-58. Soviet Ambassador to Britain, 1946-52, Special Deputy for the Austrian Treaty, 1949-50.

ZHELTOV, Soviet Deputy High Commissioner and Deputy Commander-in-Chief, 1945-1950.

Estimated value over next ten years (note 2).
¹ Owned by Richard van Sicke, British (Canadian). Estimated value of total assets: £10,000,000.
² Including 20 shares held before amalgamation amounting to £10,000,000.
³ Change of shareholding mainly as a result of agreement of 21 October 1937. Free City and General (in which majority held by British) merged to form Austrian and Swiss.
⁴ Owned by Richard van Sicke (50% Austrian; 50% Swiss).

APPENDIX TWO: PRINCIPAL BRITISH INTERESTS IN AUSTRIAN OIL PRODUCTION

1. Crude Production (approximate figures)

	1946 Volume ¹	Value ²	Future Volume ³	Value ⁴
<u>a. Undisputed</u>				
RAG ⁵	184,000			
Van Sickle ⁶	50,000			
<u>Total</u>	234,000	£680,000	2,740,000	£8.4m.
<u>b. Disputed</u>				
RAG	36,000	£160,000	660,000	£1.3m.
Van Sickle	295,000 ⁷	£580,000	3,000,000	£10.0m.
Steinberg Naphta ⁸	164,000	£420,000	1,670,000	£5.0m.
<u>Total</u>	495,000	£1,320,000	5,330,000	£16.3m.
<u>c. Other⁹</u>				
	100,000			£2.3m.
<u>TOTAL</u>	829,000	£2,000,000	8,070,000	£27.0m.

¹ (Metric Tons) Ministry of Fuel and Power, PRO, FO 371/64005/C9318.

² PRO, FO 371/64101/C12796.

³ "geschätztes Vorrat", HHSStA, BMAA, 148.434-6VR/47, K.24, 1947.

⁴ "estimated value over next ten years", (note 2).

⁵ Rohölgewinnungssaktiengesellschaft, owned 50% by Socony Vacuum (US), 50% UK-Dutch (Shell). Estimated value of British share of total assets: Ministry of Fuel and Power, 21 August 1947, PRO, FO 371/64006/C11369) £ 3 million.

⁶ Owned by Richard van Sickle, British (Canadian). Estimated value of total assets: £1½m (note 5).

⁷ Including 20 Freischürfe sold before Anschluss producing around 270,000 tons.

⁸ Change of Shareholding (mainly at Lucerne agreement of 21 October 1938) from 97% City and General (in which majority Swiss majority shareholding) to 94% German and 6% British (in 1945). Value of total assets £1½m. (note 5).

⁹ Erdölproduktionsgesellschaft (50% Austrian: 50% Swiss).

APPENDIX THREE: BRITISH RECORD OF THE 110TH MEETING OF THE SPECIAL DEPUTIES FOR THE AUSTRIAN TREATY, 6 MAY 1948.¹⁰

I. CONTINUATION OF DISCUSSION OF YUGOSLAV CLAIMS

MR. KOKTOMOV opened the meeting. He asked the Deputies if they had any remarks to make on Article 5.

MR. REBER had nothing to add to his previous statements. This article like Article 34, was a question of fundamental principle on which the resolution of the whole Treaty rested.

MR. KOKTOMOV maintained the Soviet position. He repeated his willingness to consider any solution that took into account the just claims of Yugoslavia. He suggested, in view of the difference of opinion on Article 5, that discussion of it should be deferred.

MR. REBER said that Article 5 must be resolved on the basis of the establishment of the Austrian frontiers as of 1938, and Article 34 on the non-payment by Austria of reparations. Unless these proposals were accepted further discussion of the Treaty seemed useless.

M. BERTHOLET said that agreement in principle on Article 5 was essential. He was prepared to discuss the Yugoslav claims if Mr. Koktomov would define his attitude.

MR. MARJORIBANKS asked what sort of solution Mr. Koktomov envisaged in the light of the other Delegations' attitudes.

MR. KOKTOMOV said that in view of Mr. Reber's remarks, he did not know how to proceed. In any case he thought that Article 34 should be taken separately, and for this reason the Soviet Delegation had confined its remarks so far to Article 5.

MR. REBER said that the United States Delegation had examined the question objectively and impartially, in all its aspects, and were unable to change their opinion. The Carinthian frontier was not a question of claims and counter-claims, but of one of the realities of the situation.

M. BERTHOLET asked Mr. Koktomov if he supported the Yugoslav frontier claims in their entirety.

MR. MARJORIBANKS said that His Majesty's Government likewise based their position, not on the principle that the pre-war Austria should necessarily be restored in every particular, but on indisputable ethnic, geographical and economic considerations. His Majesty's Government would have been very ready to consider the Yugoslav claims favourably if they had any justification.

¹⁰PRO, FO 371/70434/C3679.

MR. KOKTOMOV said that the Yugoslav claims had economic, ethnic and geographical foundations. Full study of the data submitted by the Yugoslav Delegation would no doubt lead to a solution. In answer to M. Bertholet's question, the Soviet supported the Yugoslav claims in their entirety. He again suggested that discussion of Article 5 should be deferred.

MR. REBER said no discussions on the rest of the Treaty seemed practicable until the question of the Austrian frontiers had been solved. Mr. Koktomov's suggestion for a further study of the Yugoslav proposals was an excuse to delay the conclusion of the Treaty. No delay was either necessary or justified.

M. BERTHOLET said that the Yugoslav arguments had already been examined. He asked Mr. Koktomov if he was willing to continue discussion of Article 5.

MR. KOKTOMOV said he had no objection, but he considered Mr. Reber's last statement unfounded. He did not desire a delay, but he could not agree with proposals which had the character of an ultimatum.

MR. REBER said that he had only stated what his Government considered to be a fair solution.

MR. MARJORIBANKS asked Mr. Koktomov if the compromise proposals he envisaged would still involve the cession of Austrian territory to Yugoslavia.

MR. KOKTOMOV said that the position of the Soviet Delegation was quite clear in that it supported the Yugoslav claims.

MR. MARJORIBANKS repeated his question.

MR. KOKTOMOV answered "yes".

MR. REBER said that further discussion seemed futile. He would not bargain over Austria's frontiers.

MR. BERTHOLET agreed with Mr. Reber.

MR. MARJORIBANKS said that he regarded Mr. Koktomov's answer to his question as regrettable but highly important. Whilst he hoped the Soviet attitude would be reconsidered, he must refer this statement to his Government in order to ascertain whether they considered further discussions to be worth while at the present time.

MR. MARJORIBANKS then proposed adjournment. He said that he would communicate with the next Chairman [Reber -RK] as soon as he had received his instructions.

MR. REBER, on request from MR. KOKTOMOV to fix the date for the next meeting, said that this was not possible until the views of the British Government were known.

APPENDIX FOUR: EXTRACT OF NOTE FROM THE YUGOSLAV GOVERNMENT TO THE SOVIET GOVERNMENT. MR. KOKTOMOV said he hoped the Deputies would search for a solution of the frontier question in the meanwhile.

II NEXT MEETING

The Deputies adjourned sine die.

The Deputies adjourned sine die. Britain's representatives on the renunciation of claims to Slovene Carinthia. This assertion is coupled with a series of unworthy insinuations on 'secret' agreements and connections of the Yugoslav Government with the Western Powers, in order, they say, to sow its assertion with at least a semblance of probability. However this question too has its background: which the Soviet Government wished to conceal from the public and which explains both the Soviet and Yugoslav acts in the period from the Moscow to the Paris session of the Council of Foreign Ministers. The facts remain that it was precisely the Soviet representatives, and also Molotov and Vyshinsky, who, during the Moscow session of the Council of Ministers in April 1947, on several occasions - asserting that there were no prospects for the liberation of Carinthian Slovenia - urged the Yugoslav Delegation to intervene directly with the Western Powers so that the latter might abandon the principle of the inalienability of the Austrian frontiers and agree to a negotiated solution. The Soviet representative, Deputy Minister Kostomov and Kachin, in this sense proposed to the Yugoslav representatives, in London in 1948 that the Yugoslav delegation should take diplomatic steps with the Western Powers (and with interpolation in original text - with the French Government, in this way, for instance, as is apparent from Ketter's report to the Yugoslav Government, Kostomov, in a conversation held with Ketter on 24 May 1948 in London, asked several times 'What is the Yugoslav delegation going to make Ketter's earlier? Has the Yugoslav delegation already undertaken any one step with the French Government? In other words, the Soviet Government, promising the Austrian Government in the person of Ketter that it would arrive for the inalienability of the border, a principle which could not remain unknown to the Western Powers for even a day, requested the Yugoslav Government as those were between Powers to achieve from them the opposite result - the adoption of a principle on the availability of the border in the form of even a small

14 Source: Belgrade Radio English language broadcast, 21 August 1948, BBC; Summary of World Broadcasts. Texts of the other notes in the Soviet-Yugoslav polemic over the Carinthian border may be found as follows: extracts from Yugoslav Note of 1 August 1948, (French version) in Margaret Caspary, ed., Documents on Yugoslav Affairs, London New York Toronto, 1952, pp. 45-47; Soviet Note of 11 August, 1948 in The New Times, 34, 27 August 1948; Soviet note of 29 August 1948 in The Times, 27, 28 September 1948.

APPENDIX FOUR: EXTRACT OF NOTE FROM THE YUGOSLAV GOVERNMENT TO THE SOVIET GOVERNMENT OF 20 AUGUST 1949 ¹¹

...The Soviet Government's note [of 11 August] also asserts that it 'subsequently' proved that the Yugoslav Government, 'behind the back' of the Soviet Government, conducted negotiations with Great Britain's representatives on the renunciation of claims to Slovene Carinthia. This assertion is coupled with a series of unworthy insinuations on 'secret' agreements and connections of the Yugoslav Government with the western Powers, in order thus to endow its assertion with at least a semblance of probability. However this question too has its background which the Soviet Government wishes to conceal from the public and which explains both the Soviet and Yugoslav acts in the period from the Moscow to the Paris session of the Council of Foreign Ministers. The facts remain that it was precisely the Soviet representatives, and also Molotov and Vyschinsky, who, during the Moscow session of the Council of Ministers in April 1947, on several occasions - asserting that there were no prospects for the liberation of Carinthian Slovenes - asked the Yugoslav delegation to intervene directly with the Western Powers so that the latter might abandon the principle of the immutability of the Austrian frontiers and agree to a compromise solution. The Soviet representatives, Deputy Ministers Koktomov and Zarubin, in this sense proposed to the Yugoslav representatives, in London in 1948 that the Yugoslav delegation should take diplomatic steps with the Western Powers (?and with) [interpolation in original text - RK] the French Government. In this way, for instance, as is apparent from Bebler's report to the Yugoslav Government, Koktomov, in a conversation held with Bebler on 5th May 1948 in London, asked several times: 'What is the Yugoslav delegation doing to make matters easier? Has the Yugoslav delegation already undertaken any new steps with the French Government?' In other words, the Soviet Government, promising the Austrian Government in the person of Renner that it would strive for the immutability of the border, a promise which could not remain unknown to the Western Powers for even a day, referred the Yugoslav Government to those same Western Powers to achieve from them the opposite result - the adoption of a principle on the mutability of the border in the form of even a small

¹¹Source: Belgrade Radio English language broadcast, 21 August 1949, BBC, Summary of World Broadcasts. Texts of the other notes in the Soviet-Yugoslav polemic over the Carinthian border may be found as follows: extracts from Yugoslav Note of 3 August 1949, (French version) in Margaret Carlyle (ed.) Documents on Foreign Affairs, London New York Toronto, 1953, pp.456-9; Soviet Note of 11 August, 1949 in the New Times, 34, 17 August 1949; Soviet note of 29 August 1949 in New Times, 37, 7 September 1949.

correction.

"The Yugoslav Government, considering it its solemn duty to do all that was possible for the Carinthian Slovenes, despite the nearly hopeless position, took up the Soviet suggestion and intervened persistently with the Western Powers for the recognition of the principle of the mutability of the Austrian border, that is, for a compromise solution of the Carinthian question on the basis of reduced Yugoslav claims. In Moscow, Kardelj visited Bidault, the French Foreign Minister, and spoke with him in the spirit of Molotov's suggestion. At the next meeting between Kardelj and Molotov, the Yugoslav Vice-Premier informed Molotov of his conversation with Bidault. The conversations of the other Yugoslav representatives with representatives of the big Western Powers were on similar lines. Yugoslavia's representatives endeavoured to obtain a compromise decision from them and the Soviet Government was informed of all these endeavours. In this way, talks between Simić, the Yugoslav Foreign Minister, Bebler, Assistant Foreign Minister, and Mr. Noel-Baker in June 1947 in Belgrade were reported to the Soviet Ambassador Lavrentiev. Bebler's talk with the British Under-Secretary of State Mayhew and with Sargent, with the US Deputy Foreign Minister and the French Deputy Minister during May 1948 in London were regularly reported by Bebler himself to Kojtchikov and to Zarubin. Bogomolov, the Soviet Ambassador in Paris, was informed of the talks of Ristić, the Yugoslav Ambassador in Paris, with Bidault which were conducted on 19th May 1948 by Ristić himself. Bebler's talks in February 1949 in London with Foreign Secretary Bevin, the British Deputy Minister Marjoribanks, the US Deputy Minister Reber and the French Deputy Minister Bertholet, as well as Bebler's and Ristić's talks with the French Foreign Minister Schuman in Paris on 26th February 1949, were all reported by Bebler to the Soviet Ambassador Zarubin at each of the many meetings they had. Such is the truth on our 'backstage' negotiations and the 'secret' selling of Carinthia to Western imperialism.

[.....] However, despite such a state of affairs, 'behind the scenes' the Yugoslav Government was the one which, on the insistence of the Soviet Government, took the responsibility before the Council of Ministers. At a session of the Deputy Ministers in London in May [sic] 1948 the Yugoslav Government put forward a new proposal, considerably reducing its original proposal which it had made in Moscow. The Soviet delegation immediately after this added to its declaration on the support of the new, reduced Yugoslav request, another statement to the effect that it was prepared to consider every compromise proposal which any other member of the Council, in other words a Western Member, would be prepared to submit. Since this new reduced Yugoslav proposal was rejected for perfectly understandable reasons, the Yugoslav Government, at the following session of the Deputy Ministers in February 1949, submitted a third proposal which consisted of a demand to adopt the principle of an

alteration of the frontier, and added that it was ready to submit a new compromise proposal if the mentioned principle was adopted. With this attitude, the Yugoslav Government took upon itself before public opinion all responsibility for the actual Soviet concession on this question. To ask that only the principle of the mutability of the frontiers be adopted and to ask for this publicly at a session of the Deputy Ministers meant a public declaration that the Yugoslav Government was ready to accept even the slightest boundary rectification."

- 1. Foreign Office, General Political Correspondence, [FO 1000]
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Sir Peter Wilkinson.

Lord Longford.

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